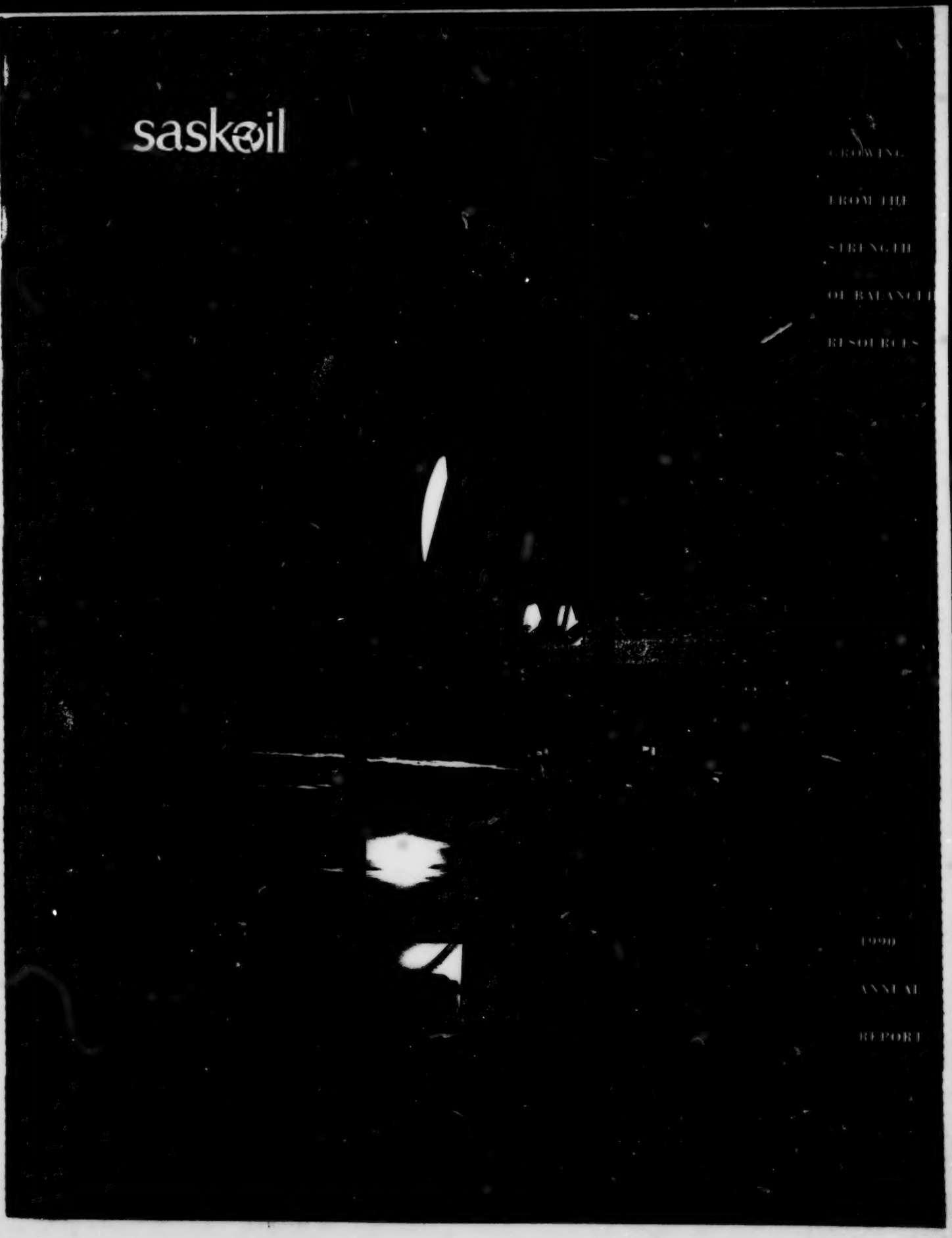
saskoil

GROWING
FROM THE
STRENGTH
OF BALANCED
RESOURCES



1990
ANNUAL
REPORT

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CORPORATE PROFILE

Saskoil is a publicly traded, senior Canadian crude oil and natural gas exploration, production and marketing company.

Headquartered in Regina, Saskatchewan, the Company has an extensive operating base in western Canada, together with interests in selected international exploration areas.

Saskoil continues to generate growth through aggressive exploration, effective operations and prudent financial strategies. This growth, measured in higher levels of production, reserves and marketing services, is reflected in turn, in increased cashflow and asset values.

Saskoil has a diversified share structure in which investors may participate through:

Common shares, or

Series I restricted voting shares.

Saskoil's common shares and Series I Shares are listed on The Toronto Stock Exchange and The Montreal Exchange and trade under the symbols SKO and SKO.A respectively.

Notice of Annual General Meeting

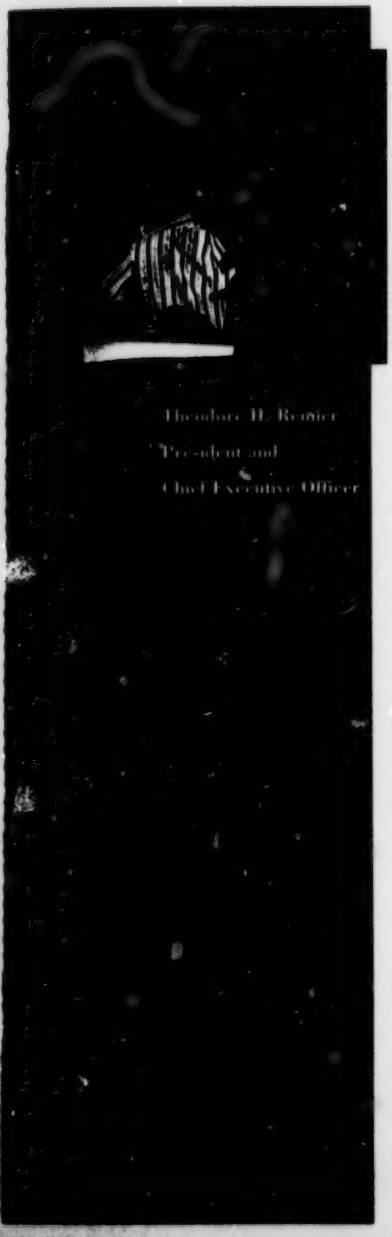
Saskoil's annual shareholders' meeting will be held on May 14, 1991 at 4:00 p.m. at the Hanbidge Hall in Regina, Saskatchewan.

We encourage all shareholders to attend, however, if unable, we encourage your participation by completion and return of the Proxy form.

TO OUR SHAREHOLDERS

We are pleased to report to you that your Company achieved record levels of production, revenues and cashflow in 1990, while at the same time increasing the size of Saskoil's asset base through new additions of crude oil, natural gas liquids and natural gas reserves. The Company also expanded its portfolio of unexplored land holdings to a size necessary to facilitate replacement and growth of Saskoil's production through its exploration and development activities.

In 1990, Saskoil's record drilling activity and increased reserve and production levels were financed with prudent levels of debt and equity. This capital funding strategy will be maintained in 1991. In the coming year, Saskoil will aim to further strengthen its financial position by refinancing a portion of its Canadian floating rate short term borrowings with fixed rate, long term debt instruments.



Theodore H. Renner
President and
Chief Executive Officer

Two years ago, Saskoil made the decision to expand its corporate marketing base by establishing Wes Cana Energy Marketing Inc. Subsequent to this, the Company has realized positive results by greatly expanding its marketing relationships and expertise. Key to this initiative is the Company's enhanced ability to assess objectively, the risks and rewards presented by the deregulated energy marketplace and implement strategies to capitalize on opportunities which may arise.

The marketing expertise developed through Wes Cana has provided Saskoil with a competitive advantage in today's energy markets. Saskoil is now better able to make investment decisions which effectively integrate the financial repercussions of capital deployed for the purpose of enhancing customer service, which is linked with the exploration decisions leading to the development of new reserves. This integrated approach is crucial to earning acceptable corporate returns on investment capital.

In the past few years, Saskoil has demonstrated the ability to effectively manage comparatively rapid growth. This has in turn, resulted in a company better able to deal with a volatile and intensely competitive industry. Future success in this environment will continue to require anticipation, innovation, dedication and perseverance in tandem with a sense of what is necessary, what can be achieved and, importantly, a sense of humour. We look forward to these challenges and are confident in our ability to deal with them.

The active participation of Saskoil's management and staff, the advice of our directors, together with the support, patience and understanding of our shareholders have all contributed to Saskoil's progress in the past year. For that, Saskoil is grateful, and on behalf of the Company, we sincerely thank all concerned.
On behalf of the Board,

Theodore H. Renner
President and
Chief Executive Officer
March 14, 1991

Herbert C. Pinder, Jr.
Chairman

SASKOIL'S FUTURE GROWTH WILL DEPEND BOTH ON OUR ABILITY TO MAKE INFORMED AND RESPONSIVE DECISIONS AND THE ONGOING DEVELOPMENT OF EFFECTIVE INFORMATION AND CONTROL SYSTEMS.

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EXPLORATION

Saskoil's efforts in 1990 were directed primarily at exploration drilling, and toward continued strengthening of the Company's land base. As in the past, the exploration program reflected Saskoil's strategy of ongoing shallow gas activity together with an increased emphasis on deeper gas prospects. The Company also maintained a very selective oil exploration program in addition to the continued development of a long term international base.

Land

Saskoil continued to be one of the most active buyers of mineral rights. In 1990, Canadian acreage acquisitions of Crown land and freehold rights totalled 547,000 net acres. Saskoil's average cost of Crown land was $43 per acre which was well below the industry average of $66 per acre. Over the past two years, Saskoil has upgraded its net non-producing land position by over one million acres. This strong land position will form the base of exploration activities over the next several years.

Land
(Acres at December 31,1990)

	Producing		Non-Producing		Total	
	Gross	Net	Gross	Net	Gross	Net
Canada						
Alberta	1,257,257	455,756	2,542,439	1,167,126	3,799,696	1,622,882
British Columbia	44,101	4,855	270,251	100,879	314,352	105,734
Saskatchewan	963,312	518,656	2,357,809	1,746,551	3,321,121	2,265,207
Manitoba	997	564	8,234	6,679	9,231	7,243
Ontario	–	–	16,582	14,555	16,582	14,555
Canadian Frontier	–	–	157,754	5,955	157,754	5,955
Foreign	–	–	295,975	45,233	295,975	45,233
Total	2,265,667	979,831	5,649,044	3,086,978	7,914,711	4,066,809

Drilling

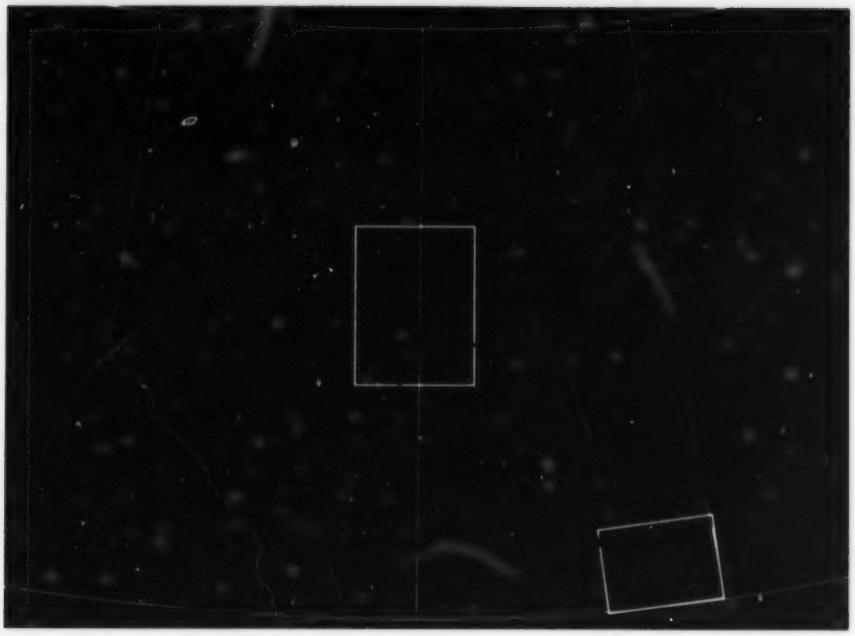
Overall, Saskoil participated in the drilling of 412 (211 net) wells in 1990 as compared to 215 (151 net) wells in 1989. The 1990 program resulted in 110 (49 net) oil wells, 252 (133.7 net) gas wells, 7 (1.5 net) test wells and 43 (26.8 net) abandonments for an overall success rate of 89 percent. Saskoil operated 54 percent of the gross and 83 percent of the net wells in which it participated during the year.

The focus on exploration drilling in 1990 produced a greatly expanded program over 1989, with above average results for the year. Saskoil drilled a total of 110 (67 net) exploratory wells in 1990, of which 62 (39.2 net) were completed as gas wells, 14 (5.7 net) were completed as oil wells and 30 (22.1 net) wells were dry and abandoned. The success rate of the program was 72 percent.

Undeveloped Land Holdings
(millions of net acres)

EXPLORATION ZONES

- Saskoil Land
- Deep Gas
- Shallow Gas
- Heavy Oil
- Light Oil



Saskoil's strong land position will form the base of exploration activities over the next several years.

Drilling Activity

	Saskatchewan		Alberta		Other		Total	
(Wells)	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Oil	88	42.3	22	6.7	–	–	110	49.0
Gas	186	103.9	58	26.8	8	3.0	252	133.7
D & A	26	19.5	15	5.6	2	1.7	43	26.8
Service	3	1.5	–	–	4	–	7	1.5
Total	303	167.2	95	39.1	14	4.7	412	211.0
Percentage Successful	**91**	**91**	**84**	**85**	**67**	**64**	**89**	**87**

	Exploration		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
Oil	14	5.7	96	43.3	110	49.0
Gas	62	39.2	190	94.5	252	133.7
D & A	30	22.1	13	4.7	43	26.8
Service	4	–	3	1.5	7	1.5
Total	110	67.0	302	144.0	412	211.0
Percentage Successful	**72**	**67**	**96**	**97**	**89**	**87**

Crude Oil

Most of Saskoil's exploration for oil was undertaken in southern Saskatchewan where we have had significant success in the last two years, both in Devonian reservoirs and in shallower Mississippian zones. This exploration area is typified by the drilling of a relatively large number of lower cost wells, often with comparatively less seismic and land costs. In 1990 we drilled 15 exploratory wells and made four discoveries for an overall success rate of 27 percent. Because all of these wells were drilled late in the year, Saskoil is not yet in a position to assess the significance of the discoveries. Our 1991 activities will be dependent upon the testing and analysis of the discoveries made in 1990.

Significant steps to increase our exploration activities for heavy oil were taken in 1990. This direction was taken in response to the successful results of our application of enhanced recovery techniques to some of our producing properties, particularly in Saskatchewan. Exploration activities in 1990 were limited to geological and geophysical studies and land purchases, with drilling activities planned for 1991.

Shallow Gas

A large shallow gas drilling program, totalling 63 wells, resulted in 46 gas discoveries for an overall success rate of 77 percent. In addition, three wells were cased late in the year for further evaluation. This drilling program was equally split between western Saskatchewan and northeastern Alberta. The discoveries made were all of good quality, sweet dry gas in both Cretaceous and Devonian reservoir rocks. In particular, a number of successes were drilled on or adjacent to the Primrose Bombing Range in northwest Saskatchewan.

While individual well reserves are modest, Saskoil has concentrated its shallow gas activities in under-explored areas where gas pools are thought to be of significant areal extent. Substantial development potential is seen for many of these discoveries, as pipeline access and suitable markets permit.

A substantial exploration program is planned for 1991 to follow up the exploratory successes in 1990 and to evaluate our large undeveloped land base. In the longer term Saskoil will emphasize deeper, larger reserve exploration targets.

Deeper Gas

In 1990, Saskoil took its first steps to drill prospects in western Alberta from the land inventory that we have built up in the last two years. These prospects are primarily in Devonian reservoirs, although shallower zones are seen as important secondary objectives. Due to a variety of constraints resulting from the limited operating season, we were not able to drill as many prospects as we had planned. Our ability to test indicated discoveries was similarly affected. Nevertheless a total of 14 prospects were drilled, resulting in four oil discoveries and seven gas discoveries for an overall

success rate of 79 percent. Reflecting one of the advantages of exploring for deeper prospects, several of the discoveries were in shallower zones than the primary prospect, but with reserves significantly larger than could be expected in our shallow gas program. The full significance of these discoveries must await development drilling, but at this time we are encouraged by the results and have planned a similarly sized exploration drilling program in the area for 1991.

Saskoil also explored for larger reserve gas and for light oil in the areas of northwest Alberta and northeast British Columbia. A total of 19 wells were drilled here in 1990, resulting in four oil and nine gas discoveries for an overall success rate of 68 percent. Three of these discoveries served to extend the large Ring-Border gas field onto Saskoil land. Several other gas discoveries will be the subject of further exploration activity in 1991 to determine the full potential of the Company's properties.

International Exploration

Saskoil's international exploration program is targeted towards stable, fiscally attractive countries where we can expect to find oil reserves larger than are likely in Canada, and gas objectives in selected areas where market conditions are suitable. Several important steps were taken in the controlled growth of the international program during 1990. The Company undertook seismic programs over two North Sea properties that were awarded in 1989 with a view to defining specific drilling locations. We will participate in the drilling of block M/3 in the Dutch offshore in 1991. This will be Saskoil's first international drilling venture. The seismic over block 48/4 in the United Kingdom is currently being interpreted and a drilling decision has not yet been made. In addition, we joined with two groups in making applications for acreage offered in the United Kingdom 12th Round. Awards are expected to be announced in 1991.

Saskoil's domestic exploration program will be complemented by exploration in selected international areas over the longer term.

Saskoil has earned a 20 percent interest in two blocks offshore Spain and has conducted a seismic program in this location. The program resulted in the identification of a structure which Saskoil and its industry partners are considering drilling in 1991. The Company's application for acreage in eastern France is still pending but awards are expected to be made in 1991. As a result of internal technical work we have opened negotiations with the Algerian national oil company, Sonatrach, for a large block in eastern Algeria. Negotiations are proceeding and we hope they will be concluded in 1991. Saskoil intends to operate this project and is currently holding discussions with prospective partners. We have also joined in an application for acreage on the northwest shelf of Australia, which is the site of several commercial discoveries in recent years. The results of our application should be known in 1991.

WITH DECLINING LIGHT OIL RESERVES WORLDWIDE, THE FOCUS WILL INCREASE ON EFFECTIVE DEVELOPMENT AND EFFICIENT PRODUCTION OF HEAVY OIL RESERVES, OF WHICH SASKOIL INTENDS TO BE A LEADER IN CANADA.

PRODUCTION

Saskoil increased annual production volumes in every category during 1990. Combined annual crude oil and natural gas liquids production volumes showed the largest increase, growing by 41 percent to average 29,621 barrels per day, well above the 1989 level of 21,011 barrels per day. Similarily, the increase in natural gas production was impressive, with 1990 production increasing 21 percent to average 211.3 million cubic feet per day compared to 174.5 million cubic feet per day in 1989.

Annual Production

(oil in millions of barrels, natural gas in billions of cubic feet)

	1990	1989	Percent Change
Saskatchewan:			
Light-medium oil	4.4	3.5	26%
Heavy oil	4.1	2.4	71%
Natural gas	41.4	32.6	27%
Alberta:			
Light-medium oil	2.3	1.8	28%
Natural gas	35.7	31.1	15%
Combined:			
Oil and natural gas liquids	10.8	7.7	41%
Natural gas	77.1	63.7	21%

Note: "Light crude oil" represents crude oil with a specific gravity of 30° API or more.
"Medium crude oil" represents crude oil with a specific gravity between 20° API and 30° API.
"Heavy crude oil" represents crude oil with a specific gravity of 20° API or less.

Crude Oil

Saskoil significantly increased its crude oil and natural gas liquid production volumes during 1990 by means of strategic property acquisitions, the application of horizontal well drilling technology and waterflood operations.

Crude Oil and Natural Gas Liquids Production

(thousands of barrels, thousands of dollars)

	1990	1989	Percent Change
Annual oil production	10,812	7,669	41%
Revenue	$ 222,383	$ 131,930	69%
Operating cost	(48,926)	(33,474)	46%
Royalties	(42,795)	(24,079)	78%
Oil operating income	$ 130,662	$ 74,377	76%

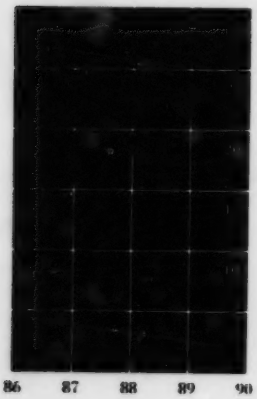
Operated/Non-Operated Production

Operated oil production	6,919	3,637	90%
Non-operated oil production	3,893	4,032	(3%)
Total	10,812	7,669	41%

Geographic Production

Alberta oil production	2,312	1,818	27%
Saskatchewan light/medium oil production	4,394	3,452	27%
Saskatchewan heavy oil production	4,106	2,399	71%
Total	10,812	7,669	41%

Crude Oil Production
(mbbls/d)



Alberta

Saskoil operates a hydrocarbon miscible flood enhanced recovery project at Joffre in central Alberta. This light oil project has not as yet reached its full performance potential, but Saskoil is confident that facility and operational changes implemented during 1990 and the development activity planned for 1991 will result in improved performance. Development activity at Joffre, combined with successful drilling results at Kidney, Rycroft and Spirit River, will allow the Company to add to the Alberta oil production gains accomplished in 1990. As is the common theme of all Saskoil operations, cost control measures were successful in reducing per unit costs for Alberta production.

Crude Oil and Natural Gas Liquids
Unit Cashflows (dollars per barrel)

	1990	1989	Percent Change
Alberta			
Production (thousands of barrels)	2,312	1,818	27%
Sales price	$ 24.75	$ 19.92	24%
Royalties	(4.07)	(2.85)	43%
Operating expenses	(3.47)	(3.70)	(6%)
Netback	$ 17.21	$ 13.37	29%

Saskatchewan

Saskatchewan light-medium oil production volumes increased 27 percent over 1989 levels as a result of the first full year of production contributions from the southwest Saskatchewan oil properties purchased late in 1989. Effective cost control measures contributed to improved operating margins, particularly in southwest Saskatchewan where cost reductions of up to $2.00 per barrel were realized. Capital development projects generally involved waterflooding operations. Waterfloods at Beverley, Gull Lake South, and Success in southwest Saskatchewan were modified and expanded to improve production performance and new waterflood projects were installed at Bench in southwest Saskatchewan and Weyburn and Midale in southeast Saskatchewan.

The drilling program in southern Saskatchewan focused on the Minton deep play, Elswick and Weyburn areas. Infill drilling also occurred in several of the southwest units including the Battrum, Beverley and Verlo Units. An infill drilling program at Verlo in southwest Saskatchewan in late 1990 and early 1991 is expected to provide a substantial increase to 1991 light-medium oil volumes.

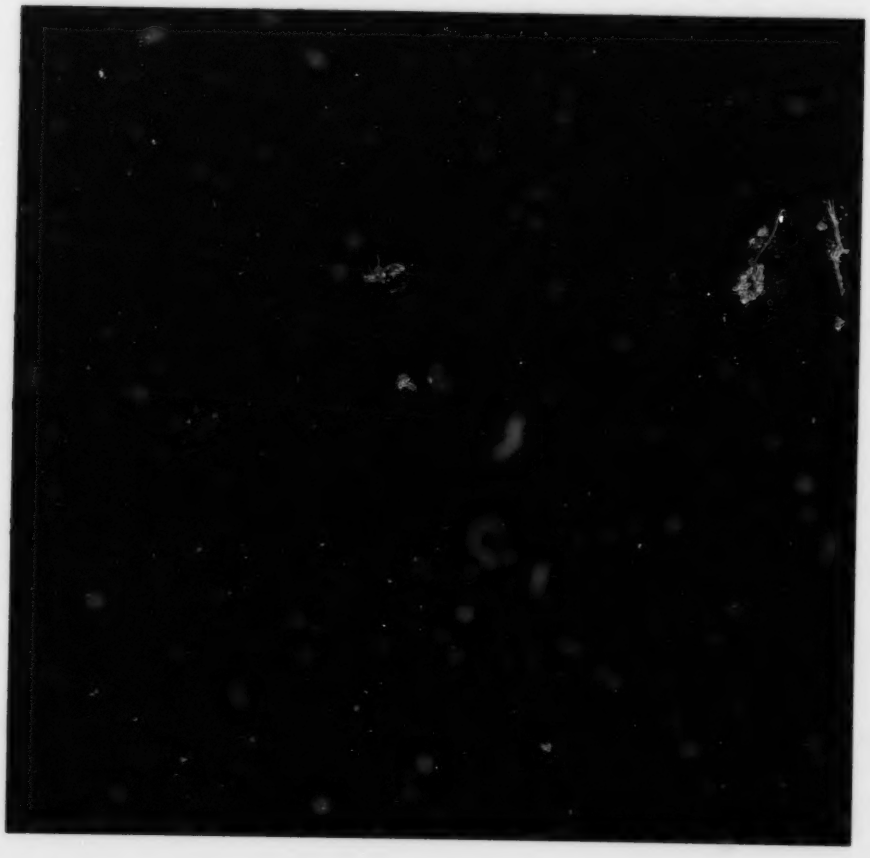
Crude Oil and Natural Gas Liquids

Unit Cashflows (dollars per barrel)

Saskatchewan	1990	1989	Percent Change
Light-medium production (thousands of barrels)	4,394	3,452	27%
Sales price	$ 20.44	$ 17.47	17%
Royalties	(5.28)	(4.35)	21%
Operating expenses	(4.80)	(4.90)	(2%)
Netback	$ 10.36	$ 8.22	26%

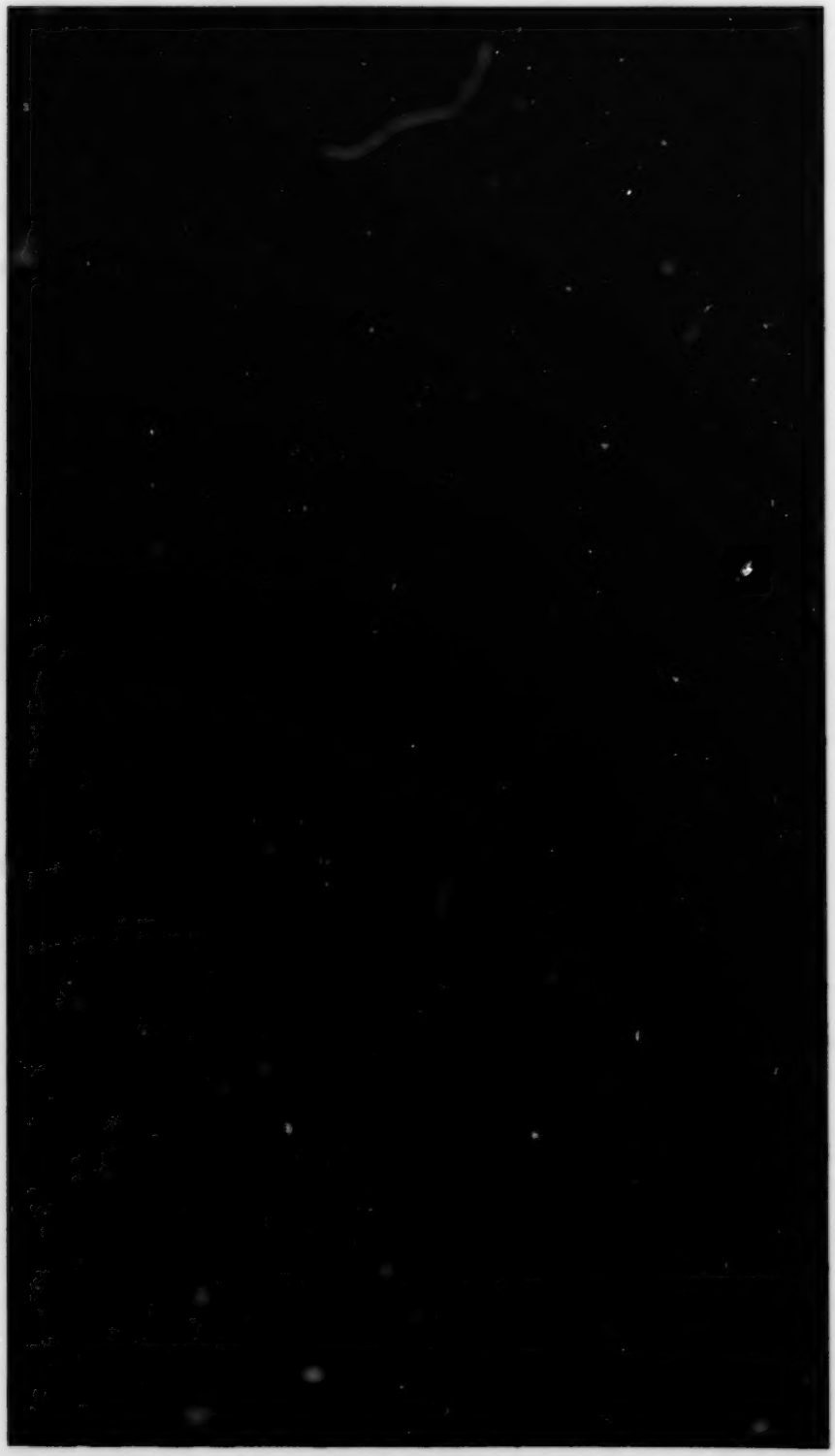
SOUTHWEST SASKATCHEWAN OIL PRODUCING AREAS

- ■ Saskoil Land
- – Oil Pipeline
- – Gas Pipeline



HEAVY OIL PRODUCING AREAS

- ■ Saskoil Land
- – Oil Pipeline
- – Gas Pipeline



Heavy Oil

Saskoil's heavy oil production in Saskatchewan increased during 1990 to an average of 11,250 barrels per day, a 71 percent increase over 1989 levels. This increase resulted from the acquisition of heavy oil producing properties in west central Saskatchewan together with production increases from Saskoil's major heavy oil properties. Production increases were due to the application of improved and expanded waterflood operations and horizontal well drilling.

Saskoil undertook the construction of three heavy oil development projects during 1990. A field wide heavy oil waterflood project was constructed at Senlac during the latter half of the year which expanded on a successful pilot scale operation implemented in 1989. The full benefit of increased production from the Senlac project should be realized during the last half of 1991. Saskoil also commenced a heavy oil horizontal well project at Winter, Saskatchewan. Much of the drilling for this project was unfortunately delayed pending amendments by the Saskatchewan government to its drilling regulations. However, drilling of a nine well program will proceed in 1991. In anticipation of the production increases from the horizontal wells at Winter, Saskoil began design and procurement activities for a centralized treating facility during the latter half of 1990.

Crude Oil and Natural Gas Liquids
Unit Cashflows (dollars per barrel)

	1990	1989	Percent Change
Saskatchewan			
Heavy production (thousands of barrels)	4,106	2,399	71%
Sales price	$ 17.38	$ 13.95	25%
Royalties	(2.49)	(1.73)	44%
Operating expenses	(4.33)	(3.97)	9%
Netback	$ 10.56	$ 8.25	28%

Ongoing heavy oil exploration and development will be conducted to complement Saskoil's large existing heavy oil reserves base.

Saskoil's combined oil production performance during 1990 resulted in production increasing and controllable costs remaining constant.

Crude Oil and Natural Gas Liquids
Unit Cashflows (dollars per barrel)

	1990	1989	Percent Change
Combined			
Production (thousands of barrels)	10,812	7,669	41%
Sales price	$ 20.20	$ 16.94	19%
Royalties	(3.96)	(3.17)	25%
Operating expenses	(4.34)	(4.32)	–
Netback	$ 11.90	$ 9.45	26%

Commencing construction of a combination horizontal well and steam injection recovery project at Plover Lake in 1990 marked a major achievement for Saskoil's heavy oil development program. This project consists of six horizontal producing wells and twelve vertical wells for steam injection, complete with steam

generation and production facilities. The recovery technique being tested at Plover Lake will be directly transferable to many of Saskoil's other heavy oil properties and represents a significant investment in Saskoil's future heavy oil production.

The following shows the major crude oil producing properties for Saskoil.

Summary of Major Crude Oil and Natural Gas Liquids Producing Fields

Property	Working Interest (percent)	Average Annual Production (barrels/day)	Reserves		
			Proven	Probable	Total
			(thousands of barrels)		
Saskatchewan					
Court	74	2,044	6,282.3	2,886.4	9,168.7
Edam	100	1,707	5,833.2	3,335.4	9,168.6
Marsden	65	1,703	7,612.0	1,174.1	8,786.1
Battrum	22	1,522	8042.0	4,343.9	12,385.9
Cactus Lake	64	1,346	9,845.3	4,383.8	14,229.1
Plover Lake	100	1,132	3,776.9	7,687.7	11,464.6
Weyburn	7	862	4,648.9	963.7	5,612.6
Fosterton	55	686	2,546.2	1,039.9	3,586.1
Beverly	38	659	6,374.3	1,417.8	7,792.1
Luseland	64	637	612.0	754.7	1,366.7
Verlo Roseray	42	615	3,001.5	1,603.8	4,605.3
Senlac	100	548	2,937.3	1,694.2	4,631.5
North Premier	50	491	1,107.8	177.5	1,285.3
Cantuar	13	445	1,894.7	701.6	2,596.3
Instow	20	432	2,351.1	717.1	3,068.2
Winter	52	312	979.2	2,381.3	3,360.5
Bone Creek	64	283	1,541.7	801.2	2,342.9
Success	29	264	880.3	–	880.3
Rapdan	11	260	698.7	526.4	1,225.1
Elswick	78	258	1,462.0	1949.0	3,411.0
Nottingham	100	201	846.9	377.0	1,223.9
Minton	30	141	424.1	181.0	605.1
Willmar	32	113	203.4	171.7	375.1
Rosebank	20	106	307.2	145.9	453.1
Other		6,520	21,891.0	9,584.9	31,475.9
Total Saskatchewan		23,287	96,100.0	49,000.0	145,100.0
Alberta					
Kidney	29	795	1,602.3	424.9	2,027.2
Joffre	43	734	2,769.5	672.5	3,442.0
Rycroft	11	529	876.9	1,115.3	1,992.2
Meekwap	9	446	384.9	–	384.9
Spirit River	11	445	646.6	505.5	1,152.1
Leafland	15	340	1,444.9	–	1,444.9
Otter	18	332	785.1	410.6	1,195.7
Rainbow South	23	302	682.2	139.1	821.3
Other		2,411	13,907.6	3,932.1	17,839.7
Total Alberta		6,334	23,100.0	7,200.0	30,300.0
Total Saskatchewan and Alberta		29,621	119,200.0	56,200.0	175,400.0
Other		–	286.0	596.0	882.0
Total Company		29,621	119,486.0	56,796.0	176,282.0

Saskoil's crude oil development activities during 1991 will include an expansion of horizontal well and enhanced recovery projects on Company operated properties at Plover Lake, Winter, Senlac, Marsden and Edam. Waterflood injection projects will be implemented and expanded in several southern Saskatchewan light-medium oil properties. In addition to low-risk development drilling on properties in southern Saskatchewan and northwestern Alberta, Saskoil has numerous other prospects which are encouraging for the development of additional crude oil reserves and production.

Natural Gas

Natural Gas Production
(thousands of dollars)

	1990	1989	Percent Change
Gas production (millions of cubic feet)	77,125	63,696	21%
Revenue	$ 122,908	$ 94,868	30%
Operating cost	(27,892)	(19,043)	46%
Royalties	(22,706)	(15,928)	43%
Operating income	$ 72,310	$ 59,897	21%

Operated/Non-Operated Gas Production
(millions of cubic feet)

Operated gas production	52,633	40,832	29%
Non-operated gas production	24,492	22,864	7%
Total	77,125	63,696	21%

Geographic Production
(millions of cubic feet)

Alberta gas production	35,736	31,128	15%
Saskatchewan gas production	41,389	32,568	27%
Total	77,125	63,696	21%

Despite soft markets and severe gas-on-gas competition, Saskoil posted a 21 per cent gain in natural gas production during 1990. However, the operation of gas production facilities at less than expected capacity in combination with the high proportion of expenses which are fixed, resulted in an increase in unit operating costs.

Natural Gas Production
(mmcf/d)

Alberta

Alberta natural gas production increased moderately during 1990 as a result of facility capacity which was developed in the previous year. Average sales prices were slightly higher due to successful marketing activities.

Development activities in Alberta were concentrated in northeastern Alberta at Calling Lake, Chard and Tweedie. There were 45 wells drilled in this shallow gas area. To ensure transportation for future gas production in the Frog Lake area and from other Saskoil properties in this region of northeast Alberta, Saskoil constructed a 20 mile transmission line from Frog Lake to a connection at the Saskatchewan/Alberta border. This line will soon be in operation and will initially transport third party gas production from the Frog Lake region.

Natural Gas
Unit Cashflows (dollars per thousand cubic feet)

	1990	1989	Percent Change
Alberta			
Production (millions of cubic feet)	35,736	31,128	15%
Sales price	$ 1.38	$ 1.36	2%
Royalties	(0.22)	(0.21)	5%
Operating expenses	(0.39)	(0.42)	(7%)
Netback	$ 0.77	$ 0.73	6%

Saskatchewan

New development at Beacon Hill in northwest Saskatchewan, and at Hatton in southwest Saskatchewan, increased Saskoil's natural gas production capacity by 20 million cubic feet per day. In addition, there were 119 shallow gas wells drilled in other development projects throughout Saskatchewan which maintained the deliverability from existing fields and continued Saskoil's annual program of productivity maintenance to meet contracted natural gas sales requirements.

Natural Gas
Unit Cashflows (dollars per thousand cubic feet)

	1990	1989	Percent Change
Saskatchewan			
Production (millions of cubic feet)	41,389	32,568	27%
Sales price	$ 1.50	$ 1.36	10%
Royalties	(0.36)	(0.30)	20%
Operating expenses	(0.25)	(0.17)	47%
Netback	$ 0.89	$ 0.89	–

The increased natural gas production during 1990 was the result of a full year of production from those gas projects completed in late 1989, combined with production increases from new development projects brought on throughout 1990.

Natural Gas
Unit Cashflows (dollars per thousand cubic feet)

	1990	1989	Percent Change
Combined			
Production (millions of cubic feet)	77,125	63,696	21%
Sales price	$ 1.44	$ 1.36	6%
Royalties	(0.29)	(0.25)	16%
Operating expenses	(0.32)	(0.30)	7%
Netback	$ 0.83	$ 0.81	3%

Natural gas development during 1991 will concentrate on expanding existing gas operations in northeastern Alberta and northern Saskatchewan. The Beacon Hill and Cold Lake areas in northern Saskatchewan and the Cowpar, Chard, Newby and Hardy areas of northeastern Alberta will be the site of most new 199[illegible]

development activity. In addition, as in 1989 and 1990, projects will be undertaken throughout Saskoil's natural gas operations to maintain gas deliverability in support of existing sales contracts.

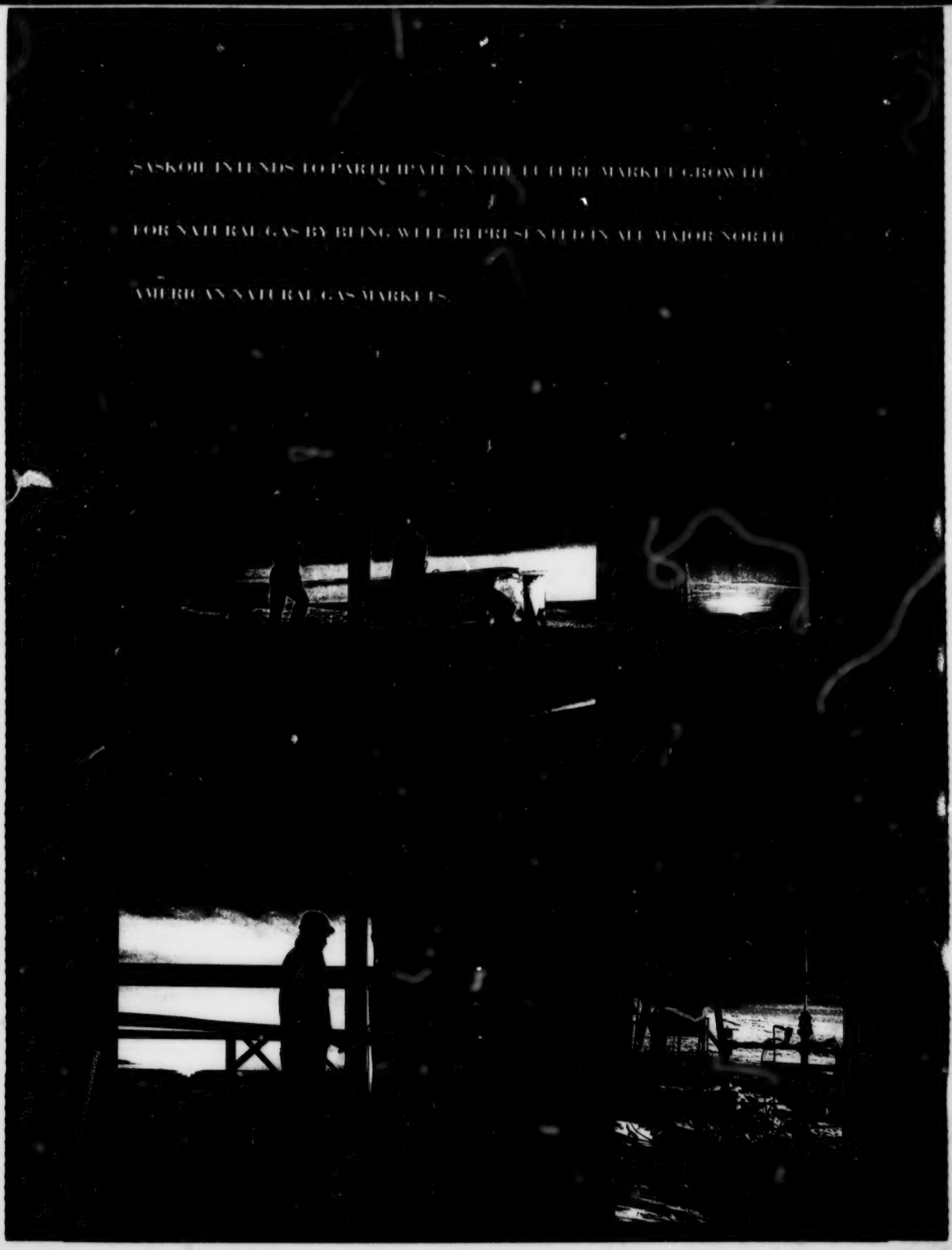
Saskoil had previously applied for new natural gas transportation contracts in 1991 and 1992 as part of a strategic initiative in support of these planned developments. As the two to three year waiting period to obtain natural gas transportation capacity ends, Saskoil will be constructing the gas production facilities necessary to commence production.

Summary of Major Producing Fields – Natural Gas

Property	Working Interest (percent)	Production (mmcf/d)	Reserves		
			Proven	Probable (billion cubic feet)	Total
Saskatchewan					
Hatton	60	43.9	188.1	24.6	212.7
Beacon Hill	93	18.8	91.9	12.5	104.4
Senate	100	9.9	16.7	5.6	22.3
Horsham	96	7.4	26.3	4.6	30.9
Bronson Lake N	100	5.8	50.5	–	50.5
Dodsland North	100	3.4	5.3	1.6	6.9
Crane Lake	50	2.9	9.9	1.0	10.9
Battle Creek	100	1.6	1.4	4.2	5.6
Other		19.7	43.6	164.7	208.3
Total Saskatchewan		113.4	433.7	218.8	652.5
Alberta					
Medicine Hat	76	29.9	98.5	8.4	106.9
Cowpar/Chard	85	9.7	79.6	23.5	103.1
Rosevear	30	4.9	42.5	–	42.5
Leafland	23	3.7	22.8	–	22.8
Saddle Lake	49	3.3	11.5	2.7	14.2
Ashmont	47	2.4	5.5	1.8	7.3
Saddle Hills	50	2.2	16.1	–	16.1
Esther	50	2.0	6.5	2.4	8.9
Compeer	50	1.8	6.3	–	6.3
Heart River	45	1.5	6.1	0.3	6.4
Other		36.5	322.0	130.8	452.8
Total Alberta		97.9	617.4	169.9	787.3
Total Saskatchewan and Alberta		211.3	1,051.1	388.7	1,439.8
Other		–	29.5	1.0	30.5
Total Company		211.3	1,080.6	389.7	1,470.3

Key to achieving growth in natural gas markets will be consistent long term access to gas gathering systems and transcontinental pipelines.

SASKOIL INTENDS TO PARTICIPATE IN THE FUTURE MARKET GROWTH FOR NATURAL GAS BY BEING WELL REPRESENTED IN ALL MAJOR NORTH AMERICAN NATURAL GAS MARKETS.



RESERVES

Saskoil continued to increase and diversify its reserves base during 1990 through exploration and development, enhanced oil recovery, and acquisitions. The Company has been successful in adding reserves in close proximity to transportation and processing facilities. This permits the timely development of these reserves with minimal additional infrastructure costs for production and transportation.

The Company increased crude oil reserves in all categories with the largest increase in heavy oil reserves. Light-medium oil reserves still make up a significant portion of liquids reserves.

Total proven plus probable natural gas reserves are balanced between Saskatchewan and Alberta, giving Saskoil the flexibility to develop and market production to achieve optimal returns.

Summary Of Reserves Position

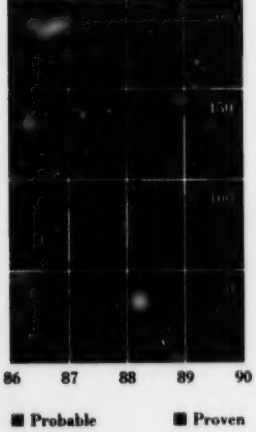
	As at December 31, 1990			As at December 31, 1989		
	Crude Oil and NGLs (mmbbls)	Natural Gas (bcf)	Present Value Discounted at 15% ($ millions)	Crude Oil and NGLs (mmbbls)	Natural Gas (bcf)	Present Value Discounted at 15% ($ millions)
Proven producing	103.5	618.8	1,080.6	83.9	568.0	874.5
Proven undeveloped	16.1	461.8	279.2	6.8	373.9	226.4
Total proven	119.6	1,080.6	1,359.8	90.7	941.9	1,100.9
Probable	56.8	389.7	184.0	43.7	375.8	170.8
Total	176.4	1,470.3	1,543.8*	134.4	1,317.7	1,271.7*

* Risk weighted

Key Assumptions

1. The reserves at December 31, 1989 were estimated by Coles Gilbert, the reserves at December 31, 1990 were estimated by the Company's engineering staff.
2. The reserves at December 31, 1989 reflect the ICG Resource Ltd. acquisition. The reserves at December 31, 1990 reflect the southwest Saskatchewan properties acquisition and Battleford properties acquisition.
3. As is typical in such analyses, a risk factor of 50 percent has been applied to future revenues from probable reserves to account for geological and engineering uncertainty.
4. The methodology employed assumes the continuance of current regulations and takes into account inflation with respect to future operating and capital costs. Oil and gas prices used in the analysis are provided below.

Crude Oil and NGLs Reserves
(mmbbls)



	Oil Prices		Gas Prices		
	$US/bbl W.T.I. at Cushing D2/S2	$Cdn./bbl Edmonton City Gate D2/S3	$/million BTU Saskatchewan Solution Gas	Saskatchewan New Gas	Alberta
1991	24.00	27.25	1.25	1.65	1.60
1992	23.00	26.00	1.30	1.70	1.65
1993	24.00	27.25	1.35	1.80	1.80
1994	26.25	29.75	1.50	2.00	2.00
1995	29.25	33.50	1.75	2.30	2.30

The oil price escalates to $40.75 by the year 2000 and by five percent thereafter. The gas prices escalate to $4.05, $4.10, and $3.10 by the year 2000 for Alberta, Saskatchewan new gas and Saskatchewan solution gas, respectively, and five percent thereafter.

Asset value per fully diluted common share before income taxes
(millions of dollars)

	1990	1989	1988
Reserve values discounted at 15% before income taxes	$ 1,543.8	$ 1,272	$ 760
Undeveloped acreage	92	68	59
Working capital	(29)	8	18
Long-term debt	(342)	(329)	(195)
Other	(5)	(15)	(2)
Proceeds on exercise of warrants and options	2	64	62
Total	$ 1,261.8	$ 1,068	$ 702
Fully diluted common shares (millions)	69.9	69.1	51.4
Net asset value per fully diluted common share	$ 18.05	$ 15.46	$ 13.66

Total proven reserve changes (excluding acquisitions) for 1990 were 22.1 million barrels of crude oil and 208.0 billion cubic feet of natural gas. This represents reserve replacement ratios (proven reserve additions over current year average production) of 205 percent for crude oil and 270 percent for natural gas.

The reserve life index (proven reserves over annual production) is 11 years for crude oil and 14 years for natural gas. Saskoil's reserve replacement costs for proved reserves was $3.54 per barrel of oil equivalent in 1990. Reserve replacement costs decreased to $3.16 per barrel of oil equivalent using established reserves. The three year (1988 – 1990) reserve replacement cost average for proved reserves is $4.66 per barrel of oil equivalent and $4.03 for established reserves.

Saskoil's low reserve replacement costs can be attributed to several factors. Firstly, reserve replacement costs are generally lower in Saskatchewan than in Alberta and secondly, Saskoil spent 55 percent of its total exploration and development budget in 1990 in Saskatchewan. As well, Saskoil completed a significant low cost acquisition of reserves. Saskatchewan replacement costs are generally lower due to shallower depths and less geological risks. Lastly, Saskoil has become very efficient at adding low cost reserves by exploiting the secondary recovery potential of our existing pools, and using horizontal drilling technology.

Crude Oil Reserves

Additions

A successful and aggressive exploration and development drilling program added a total of 5.1 million barrels of proven plus probable crude oil reserves. Other development activity, which included waterfloods, steam injection projects and horizontal drilling, added a total of 12.8 million barrels of proven plus probable crude oil reserves.

Revisions

Reserve additions were realized from positive revisions of 4.7 million barrels of proven plus probable reserves. These revisions were due to a re-appraisal of properties including Plover Lake, Senlac, Winter and other unitized properties in southeast and southwest Saskatchewan. The positive revisions were based on the more favourable performance of these properties than originally anticipated.

Crude Oil and Natural Gas Liquids

Acquisitions

The 1990 acquisition of producing interests in several heavy oil pools in west central Saskatchewan combined with several other minor acquisitions and divestitures, resulted in a total net gain of 26.1 million barrels of proven plus probable crude oil reserves.

Reserves by Product Type

Crude Oil and Natural Gas Liquids (millions of barrels)

	Proven	Probable	Total	Percent
Light	30.2	10.3	40.5	23%
Medium	43.4	17.6	61.0	35%
Heavy	46.0	28.9	74.9	42%
Total	**119.6**	**56.8**	**176.4**	**100%**

Reserves by Geographic Region

Crude Oil and Natural Gas Liquids (millions of barrels)

	Proven	Probable	Total	Percent
Saskatchewan	96.1	49.0	145.1	82.2%
Alberta	23.2	7.2	30.4	17.2%
Manitoba	0.2	0.4	0.6	0.3%
British Columbia	0.1	0.2	0.3	0.2%
Total	**119.6**	**56.8**	**176.4**	**100%**

Potential Crude Oil Reserve Additions

Saskoil's efforts to increase crude oil reserves will rely on selective exploration, property acquisitions and enhanced oil recovery methods where applicable.

Property	Process	Gross Original Oil in Place (mmstb)	Incremental Recovery Factor (%)	Gross Recoverable Oil (mmstb)	Working Interst (%)	Net Additional EOR Reserves (mmstb)
Operated						
Luseland	Steam/Horizontal	66	50	33.0	67	22.0
Court	Steam/Horizontal	66.1	25	16.5	74	12.2
Marsden	Steam/Horizontal	79.8	25	19.7	64	12.5
Plover Lake	Steam/Horizontal	64.3	46	29.8	100	29.8
Edam	Steam/Horizontal	138.0	25	34.5	100	34.5
Senlac	Water Alternating Gas	67.2	5	3.4	100	3.4
Onion Lake	Horizontal	117	5	5.9	100	5.9
Winter	Horizontal	269	9	22.8	52	11.9
Frog Lake	Horizontal	143	7	10.0	100	10.0
North Cactus Lake	Steam/Horizontal	50	50	25.0	67	16.7
Rush Lake	Cylic Steam	48	25	12.0	100	12.0
Hearts Hill	Horizontal	62	6	3.7	67	2.5
Wilkie	Horizontal	75	6	4.5	100	4.5
Otto	Horizontal	50	6	3.0	50	1.5
Wilbert	Horizontal	25	6	1.5	100	1.5
Joffre	Hydrocarbon/Miscible	11.8	13	1.6	43	0.7
Bone Creek	Polymer	80.6	15	11.9	64	7.6
Hastings	Polymer	14.9	9	1.3	45	0.6
Sub Total		1,426.7		240.1		189.8
Non-operated		880.0				28.0
Total		**2,306.7**				**217.8**

Natural Gas Reserves

Additions

A successful exploration and development drilling program added a total of 116.6 billion cubic feet of proven plus probable natural gas reserves.

Revisions

Reserve additions from positive revisions of 95.7 billion cubic feet of proven plus probable reserves were made based on reviews of selected pools where detailed reservoir studies and drilling activities supported such adjustments. In southwest Saskatchewan, undeveloped and probable natural gas reserves were moved to the proven producing category as a result of drilling and development activities.

Acquisitions

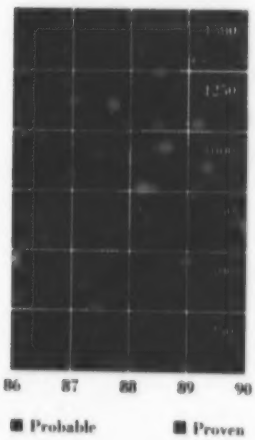
Several minor acquisitions contributed 17.4 billion cubic feet of proven plus probable reserves.

Reserves by Geographic Region

Natural Gas (billions of cubic feet)

	Proven	Probable	Total	Percent
Saskatchewan	433.7	218.8	652.5	44%
Alberta	617.4	169.9	787.3	54%
British Columbia	29.5	1.0	30.5	2%
Total	**1,080.6**	**389.7**	**1,470.3**	**100%**

Natural Gas Reserves
(bcf)



MARKETING

Marketing continues to be a very important facet of Saskoil's business. In addition to the need to receive the best value for our production in a competitive market, it is critical to reduce the time lag from exploration to production and cashflow. Saskoil's wholly-owned subsidiary, Wes Cana Energy Marketing Inc., has become an effective marketer of crude oil and natural gas.

Natural Gas

Wes Cana has the ability to use various companies to market its natural gas. These include: KannGaz Producers Ltd., Metro Gaz Marketing, inc., Canadian Natural Gas Clearing House Inc., and Wes Cana Energy Marketing (U.S.) Inc. Wes Cana has an experienced and respected staff who handle and pursue a variety of markets, effectively service customers and optimize prices.

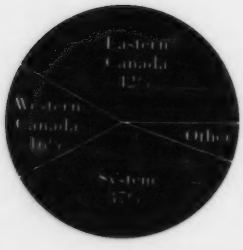
In 1990, Wes Cana moved away from spot markets to firm contracts for gas that will flow steadily to markets in eastern Canada and the northeastern United States. The Company plans to continue this move to longer term contracts as markets permit. Wes Cana has also positioned itself to access transportation to reach markets throughout North America and, as with the KannGaz acquisition, the effort to increase markets in the United States is continuing on track.

Wes Cana finalized over 80 million cubic feet per day of additional contracts for delivery on November 1, 1990. The terms of these contracts vary from one year to 15 years at attractive prices.

Wes Cana's portfolio of customers will continue to be diversified, lessening dependence on any single market. The majority of the Company's volumes are directed to eastern Canadian core markets, local distribution companies and industrial consumers. These markets have high load factors with fixed prices which result in minimal fluctuation in gas flow and revenue.

1989

In 1990, total demand for natural gas was adversely affected by a warmer than average heating season. This weather-related market weakness, combined with a surplus natural gas supply, which has persisted over the past few years, resulted in lower 1990 prices. Weather-related natural gas reductions, together with lower demand due to recessionary economic conditions, are again expected in 1991 and natural gas markets are expected to remain soft overall. Intense gas-on-gas competition is expected because the deliverability of gas in Alberta has increased at a rate which exceeds the capacity to transport and sell gas in eastern Canadian and United States markets. As additional transportation capacity is constructed, this situation will improve the supply-demand balance.



1990

Natural Gas Market Distribution

Saskoil Gas Markets
(millions of cubic feet per day)

	Average	
	1990	1989
Saskoil	211.0	174.5
Third party	91.6	87.5
Total Gas Marketed	302.6	262.0

Crude Oil

With the long term view Saskoil has taken in developing the Company's crude oil reserves, marketing becomes an important aspect of our crude oil operation.

Saskoil markets its crude oil at various points in the transportation chain from the wellhead and various points downstream up to and including the refinery gate. In this regard, the Company has been able to diversify the buyers of our heavy crudes. For example, we now have four principal buyers of our Lloydminster blend. The diversity of buyers provides alternate markets for Saskoil's crude and maximizes the price of the product.

Although the crude oil quality differential, which is the price difference between light crudes and heavy crudes, has widened beyond historical levels, Saskoil prepared for this event by commissioning studies and gathering market intelligence before decisions were taken to increase investments in heavy oil.

Saskoil will continue to develop market plans that keep production on stream and that ensure investment decisions include the best market information possible. This was evident throughout 1990 as Saskoil's 41% increase in production was delivered to market.

Saskoil Crude Oil Markets
(barrels of oil per day)

	Average	
	1990	1989
Saskoil	29,600	21,000
Third party	14,200	8,800
Total Oil Marketed	43,800	29,800

1989

Saskoil Crude Oil

	Average	
	1990	1989
Light	13,100	13,300
Medium	12,500	4,700
Heavy	18,200	11,800
Total Oil Marketed	43,800	29,800

1990

Saskoil Crude Oil Mix

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Review of 1990 Financial Performance

During 1990 Saskoil realized record crude oil and natural gas revenues primarily as a result of increased production levels and improved oil prices. Consequently, cashflows and earnings per share, before extraordinary items, have increased.

Higher production levels are the result of an aggressive exploration and development program and strategic property acquisitions.

The marketing efforts of the Corporation continued to open new opportunities at a time of low gas demand caused by a warm winter and oversupply.

Shareholders' equity has undergone several changes as equity instruments matured or were converted to new forms of equity. As well, the Corporation's bank credit lines were restructured to accommodate a more flexible debt structure.

Revenues

Revenues from crude oil and natural gas sales increased 52 percent compared to 1989.

	1990	1989	Effect on Revenues ($ thousands)
41% increase in oil production (barrels per day)	29,600	21,000	$ 53,200
21% increase in gas production (millions of cubic feet per day)	211.3	174.5	18,300
19% increase in oil prices ($ per barrel)	$ 20.20	$ 16.94	35,200
6% increase in gas prices ($ per thousand cubic feet)	$ 1.44	$ 1.36	6,200
57% increase in processing, marketing and other revenues ($ thousands)	$ 15,500	$ 9,900	5,600
Revenues	$ 345,300	$ 226,800	$ 118,500

The proportion of revenues contributed by crude oil and natural gas liquids in 1990 was 64 percent compared to 58 percent in 1989. Natural gas contributed 35 percent of revenue in 1990 versus 41 percent in 1989 with the balance coming from sulphur. The increase in crude oil revenues over natural gas revenues is the result of both oil prices and volumes increasing at a greater rate than those of natural gas, as noted in the above table.

Processing, marketing and other revenues have increased by 57 percent as compared to 1989 due to increased throughput for both crude oil and natural gas.

Revenues
($ millions)

Expenses

The equivalent barrels of oil comparisons included below are based on a 10:1 gas to oil conversion rate which is widely used to approximate the market value relationship. Depletion and depreciation conversion rates use a 6:1 rate which approximates the energy equivalency.

Royalty expenses for 1990 were $65.5 million, a 64 percent increase as compared to $40.0 million in 1989. This results from significantly higher sales volumes as well as escalating royalty rates caused by the price sensitivity of the royalty structure.

Operating expenses increased 46 percent to $76.8 million in 1990. On a per unit basis, crude oil and natural gas operating expenses increased marginally in

1990 to $4.34 per barrel and $0.32 per thousand cubic feet respectively, as compared to $4.32 per barrel and $0.30 per thousand cubic feet in 1989.

Depletion and depreciation increased to $99.6 million in 1990 due to increased production levels. The depletion and depreciation rate per equivalent barrel of oil produced decreased in 1990 to $4.03 from $4.06 in 1989.

General and administrative expenses, net of recoveries and capitalized administrative expenses, increased to $28.1 million. This reflects the increased staff levels needed to accommodate the integration of operations from the acquisitions made in 1989 and 1990 and the current level of exploration and development activities. On an equivalent barrel basis, the 1990 general and administrative expenses increased by eight percent from 1989.

Summary of General and Administrative Expenses
(millions of dollars except per barrel amounts)

	1990	1989
Gross expense	$ 42.4	$ 33.5
Less: Operator recoveries	(5.5)	(7.0)
Capitalized overhead	(9.8)	(7.0)
Net general and administrative expense	$ 28.1	$ 19.5
Total production (millions of equivalent barrels)	18.5	13.9
Net general and administrative expense per equivalent barrel	$ 1.52	$ 1.41

Interest expense increased by $8.8 million to $39.4 million in 1990. Of this increase, $6.0 million is the result of a $51.2 million increase in the average debt outstanding in 1990, $1.6 million is due to the average effective interest rate increasing to 12.1 percent in 1990 from 11.7 percent in 1989 and $1.2 million represents changes in other debt costs and interest income.

Earnings and Cashflows

Earnings per participating share (outstanding common and Series I Shares) before extraordinary item for 1990 are more than three times higher than in 1989, while cashflows from operations per fully diluted participating share are up 26 percent as shown in the following table.

General and Administrative Expense
($/BOE)

	1990	1989
Basic earnings per participating share*		
Before extraordinary item	$ 0.21	$ 0.05
After extraordinary item	$ 0.21	$ 0.62
Cashflows per participating share		
Basic	$ 2.06	$ 1.72
Fully diluted	$ 2.00	$ 1.59
Weighted average number of participating shares outstanding (millions)		
Basic common and Series I Shares	62.5	45.5
Series A Shares	1.4	6.3
Common share warrants	4.2	5.0
Employee stock options	1.1	0.8
Fully diluted common shares	69.2	57.6

* The Series A Shares, common share warrants and employee stock options were anti-dilutive for earnings per share calculations.

Cashflow Per Unit Of Production

As the accompanying table shows, higher per unit revenues improved the cash netbacks on oil by 26 percent and by two percent on natural gas.

Cash Netbacks Per Unit of Production

	Crude Oil ($/bbl)		Natural Gas ($/mcf)	
	1990	1989	1990	1989
Average sales price	$ 20.20	$ 16.94	$ 1.44	$ 1.36
Royalty expense	(3.96)	(3.17)	(0.29)	(0.25)
Operating expense	(4.34)	(4.32)	(0.32)	(0.30)
Cash netback	$ 11.90	$ 9.45	$ 0.83	$ 0.81

Cash Netbacks By Geographic Area

	Crude Oil ($/bbl)		Natural Gas ($/mcf)	
	1990	1989	1990	1989
Saskatchewan	$ 10.46	$ 8.24	$ 0.89	$ 0.89
Alberta	17.21	13.37	0.77	0.73
Combined	$ 11.90	$ 9.45	$ 0.83	$ 0.81

Taxes

Saskoil did not incur any current income tax expense in 1990 and at December 31, 1990 had $967 million of tax pools available to shelter future income from income taxes. The breakdown of these pools is as follows:

($ millions)	1990	1989
Canadian Exploration Expense	$ 103	$ 125
Canadian Development Expense	158	133
Canadian Oil and Gas Property Expense	352	330
Undepreciated Capital Cost	314	210
Earned Depletion	40	40
Total	$ 967	$ 838

In 1990, Saskoil achieved record levels of production, revenues and cash flow while also increasing its asset base of land and reserves.

The Canadian Exploration Expense is fully deductible in any year, while the other categories of tax pools noted above are subject to annual maximum deductions based on rates prescribed in the Income Tax Act. If the maximum claims were to be made each year, the approximate amounts that would be available, in millions of dollars, for deduction in each of the next five years would be:

1991	$ 310
1992	$ 127
1993	$ 97
1994	$ 75
1995	$ 59
Remainder	$ 299

Saskoil incurred $5.1 million in Saskatchewan Corporation Capital Tax and Surcharge in 1990, which represents a two percent surcharge on all gross revenue from Saskatchewan oil and natural gas production. In addition, $2.0 million is payable under the federal Large Corporations Tax.

The Goods and Services Tax (GST) took effect on January 1, 1991 and will require additional administration expenditures to account for and to remit the tax. The GST is otherwise not expected to have any significant impact on the results of the Corporation's activities.

Financial Sensitivities

The Corporation's financial performance is sensitive to crude oil and natural gas prices, interest rates and Canadian dollar exchange rates. Each of these factors can be influenced by market forces which are unpredictable, such as the Persian Gulf crisis and government fiscal policy. Incremental changes to each of these factors would have had the following impact on 1990 financial results on an annual basis:

(Increase Cdn $ in millions)	Net Income	Funds Generated
Oil price increase – U.S. $1.00 in WTI	$ 5	$ 9
Gas price increase – Cdn. $0.10 per Mcf*	1	2
Canadian dollar exchange rate – $0.01 change against the U.S. dollar	2	4
Prime interest rate – decrease of 1%	2	3

* As approximately 80 percent of gas volumes are under contract, this sensitivity reflects only immediate exposure. If all gas volumes were included, the impact would be approximately four times larger.

Heavy crude oil, which accounts for approximately 45 percent of Saskoil's production, has a lower sales price than light crude oil. During 1990, these price differentials ranged from $7 to $10 per barrel.

The natural gas markets have not expanded as expected due to another warm winter and the stagnation of demand resulting from the recession. As well, supply has been greater than predicted.

Saskoil Crude Oil Price
(Cdn. $/bbl)

86 87 88 89 90

Liquidity and Capital Resources

During 1990 the Corporation generated $130.3 million in funds from operations which was its primary source of liquidity. The current ratio in 1990 dropped to .76:1 from 1.1:1 in 1989. The $37.6 million decline in working capital is due to the extensive capital expenditures and resulted in high accounts payable which will eventually be funded through the term bank credit facility.

The Corporation's capital base is comprised of borrowed funds and shareholders' equity. The capitalization ratio of debt to equity at the end of 1990 was 32:68 compared to 33:67 at the end of 1989. The principal reason for the change in 1990 was the issue of $55 million in common shares resulting from the exercise of five million share purchase warrants which were issued as part of the consideration paid for the properties acquired from SaskPower in 1988.

During the year, Saskoil renegotiated its extendible revolving term credit facilities of $330 million. These facilities are now unsecured and subject to a defined borrowing base and specific financial ratio requirements. At December 31, 1990 the Corporation had $76 million unutilized on the credit facilities.

Of the $341.9 million in long term debt outstanding at December 31, 1990, 58 percent was floating interest rate debt. The Corporation has maintained this high level of floating rate debt to take advantage of declining interest rates. As the interest rates become more favorable, Saskoil will seek means of fixing the rates on a larger portion of its long term debt.

At December 31, 1990 all of the long term debt was denominated in Canadian funds. Crude oil and natural gas liquids revenues, which are based on U.S. dollar prices, accounted for 64 percent of total revenues in 1990. To provide a natural hedge against U.S. currency fluctuations, Saskoil is considering converting a portion of the outstanding debt to U.S. dollar debt in 1991.

Investment and Financing Activities

The significant investment and financing activities for 1990 are as follows:

($ millions)

	Net Proceeds (Investments)
March, 1990 – Redemption of Second Preferred Shares, Series A	$ (3.1)
March, 1990 – Redemption of Saskoil Participation Bonds	(15.0)
October, 1990 – Conversion of share purchase warrants	55.0
Reduction in notes payable	(14.3)
Increase in bank borrowing	20.9
Acquisition of properties	(52.5)
Exploration and development expenditures	(185.8)

Common Share Trading

($)

■ High/Low — Close

• On February 28, 1990, the Corporation issued a notice of intention to redeem its Second Preferred Shares, Series A (the "Series A Shares") at $11 per share. During 1990, 7,274,980 Series A Shares were converted into common shares leaving 282,915 Series A Shares that were redeemed by the Corporation for $3.1 million.

• On March 31, 1990, Saskoil Participation Bonds, with a face value of $15 million, matured and were redeemed.

• Effective April 1, 1990, Saskoil acquired certain crude oil interests in the Battleford area of Saskatchewan for a purchase price of $34 million. The acquired properties have interests ranging from 25 percent to 100 percent and increased Saskoil's proven plus probable crude oil reserves by 20.6 million barrels.

• On October 19, 1990, the Government of Saskatchewan completed a secondary share offering of 10 million Saskoil common shares at $14.50 per share. This sale reduces the Government's shareholdings in Saskoil to 8.6 percent.

• On October 31, 1990, five million common share purchase warrants, which were issued as part of the consideration paid for the properties acquired from

SaskPower in 1988, were exercised at a price of $11.00 per common share. Total proceeds of $55 million from the exercise of the warrants were used to reduce Saskoil's debt.

• At December 31, 1990 the Corporation did not have any future crude oil production hedged. The Corporation's position on hedging is that it is appropriate as insurance against future price declines to support specific activities and in certain situations where an abnormality occurs in the market.

Capital Expenditures
($ millions)

	1990	1989
Land acquisitions	$ 23.4	$ 18.9
Geological and geophysical	18.5	7.8
Exploration drilling	22.5	6.9
Development	50.3	34.7
Facilities and equipment	38.6	39.1
Lease rentals and other corporate activities	17.3	4.7
Capitalized interest	5.4	5.1
Capitalized overhead	9.8	7.0
Total capital expenditures	$ 185.8	$ 124.2

Reserve replacement is an important requirement for the future of any resource company. Saskoil had an active year in 1990 with capital expenditures of $185.8 million. In 1991, Saskoil will continue with an active program which includes medium depth areas of Alberta and Saskatchewan balanced by deeper, larger natural gas plays in western Alberta and British Columbia. Along the Alberta-Saskatchewan border is a major area of activity for both heavy oil and natural gas. With the substantial purchases of undeveloped land in 1989 and 1990, Saskoil has accumulated an undeveloped land base which will provide for future growth through exploration and development.

Saskoil is sensitive to issues involving the environment and has created an environmental committee which includes senior members of management. This group has developed, and continues to develop corporate environmental policies. At December 31, 1990, the Corporation had no significant lawsuits pending or threatened with respect to environmental matters and strives to be in compliance with all material licenses and environmental regulations.

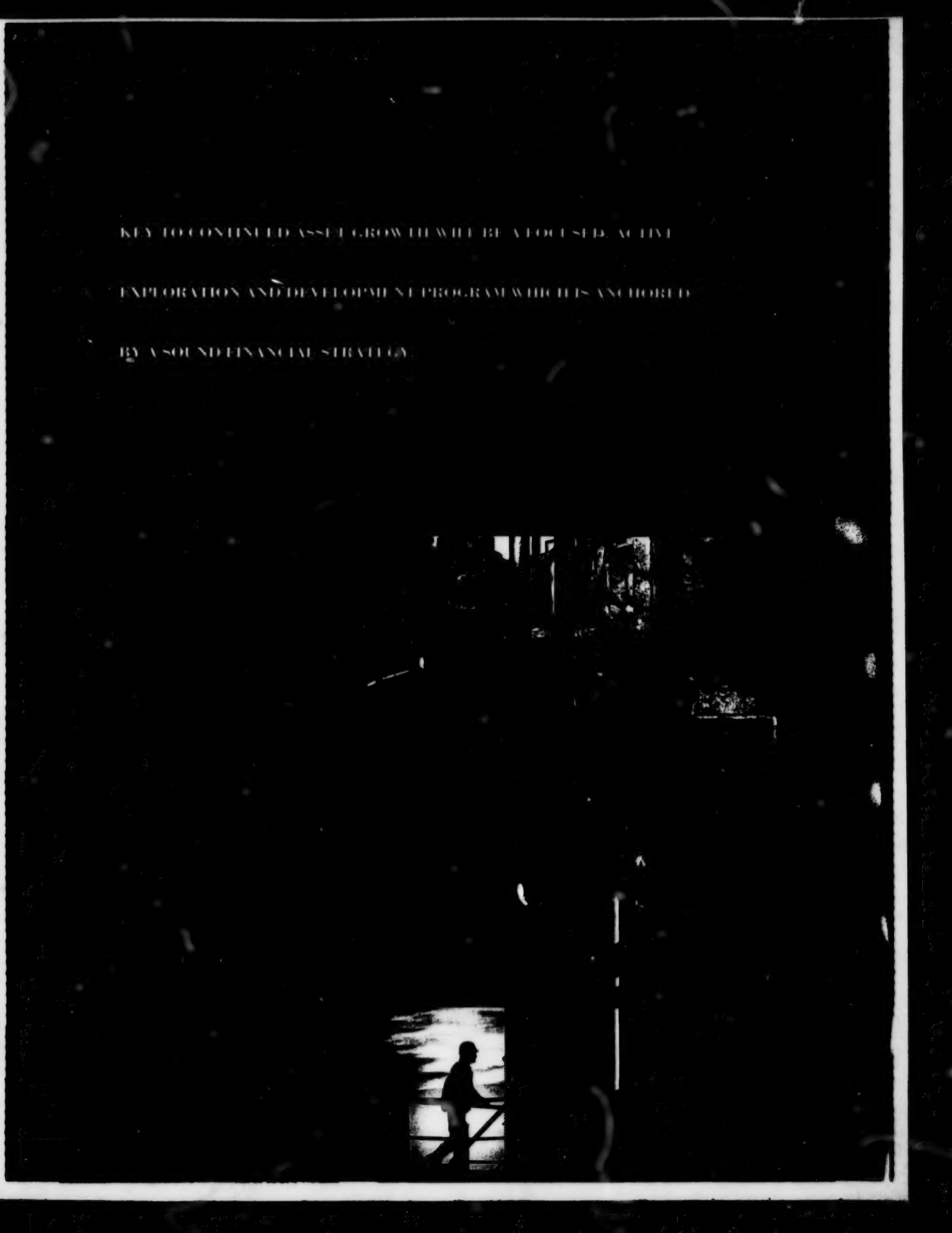
Capital Investment Excluding Acquisitions
($ millions)

The Corporation has budgeted $190 million for capital expenditures in 1991. These expenditures are based on 1991 anticipated cashflows using an average annual crude oil price of $18.41 per barrel and a natural gas price of $1.54 per thousand cubic feet. Capital expenditures not financed through internally generated cashflow will be financed through bank borrowings. Expected average production in 1991 is 35,000 barrels of crude oil per day and 270 million cubic feet of natural gas per day. Should actual cashflow drop below the Corporation's budget, to the extent capital expenditures are not reduced, the shortfall would be financed using the extendible revolving credit facility.

KEY TO CONTINUED ASSET GROWTH WILL BE A FOCUSED, ACTIVE

EXPLORATION AND DEVELOPMENT PROGRAM WHICH IS ANCHORED

BY A SOUND FINANCIAL STRATEGY.



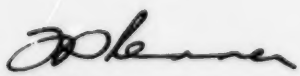
MANAGEMENT REPORT

The accompanying consolidated financial statements and all information in the annual report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to consolidated financial statements. When necessary, management has made informed judgements and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

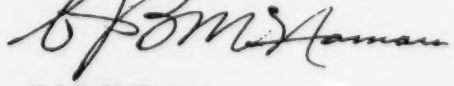
Management maintains appropriate systems of internal control including an internal audit function. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

Ernst & Young, an independent firm of Chartered Accountants, has been engaged, as approved by a vote of shareholders at the Corporation's most recent annual general meeting, to audit the consolidated financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion.

The audit committee of the Board of Directors, which is comprised of directors who are not employees of the Corporation, has reviewed the consolidated financial statements, including the notes thereto, with management and both internal and external auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the audit committee.



T.H. Renner
President and
Chief Executive Officer



C.J.B. McNamara
Vice-President, Finance and
Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of Saskatchewan Oil and Gas Corporation:

We have audited the consolidated balance sheets of Saskatchewan Oil and Gas Corporation as at December 31, 1990 and 1989 and the consolidated statements of earnings, retained earnings and changes in cash position for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and 1989 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Regina, Canada,
February 11, 1991

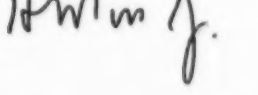
Ernst & Young
Chartered Accountants

CONSOLIDATED BALANCE SHEETS

As at December 31
(thousands of dollars)

	1990	1989
Assets		
Current		
Cash	$ –	$ 2,610
Accounts receivable	86,025	98,459
Inventories and other	8,606	7,665
	94,631	108,734
Property and equipment *(note 2)*	1,166,174	1,033,959
	$ 1,260,805	$ 1,142,693
Liabilities		
Current		
Accounts payable	$ 110,882	$ 67,897
Current portion of long-term debt *(note 3)*	11,100	30,100
Current portion of deferred natural gas revenue *(note 4)*	1,810	2,250
	123,792	100,247
Long term debt *(note 3)*	311,925	329,441
Deferred income taxes and PGRT *(note 6)*	50,803	35,403
Deferred natural gas revenue *(note 4)*	5,002	7,040
	521,522	472,131
Shareholders' Equity		
Share capital *(note 5)*	695,346	640,221
Retained earnings	43,937	30,341
	739,283	670,562
	$ 1,260,805	$ 1,142,693

Approved by the Board:



Director

Director

See accompanying notes

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31
(thousands of dollars except per share amounts)

	1990			1989		
	Crude Oil	Natural Gas	Total	Crude Oil	Natural Gas	Total
Revenue	$ 222,383	$ 122,908	$ 345,291	$ 131,930	$ 94,868	$ 226,798
Royalty expense	42,795	22,706	65,501	24,079	15,928	40,007
Operating expense	48,926	27,892	76,818	33,474	19,043	52,517
Net operating income	$ 130,662	$ 72,310	202,972	$ 74,377	$ 59,897	134,274
Corporate expenses						
Depletion and depreciation			99,600			76,027
General and administration			28,132			19,510
Interest *(note 3)*			39,395			30,623
			167,127			126,160
Earnings before taxes			35,845			8,114
Taxes *(note 6)*			21,122			374
Earnings before extraordinary item			14,723			7,740
Extraordinary tax item *(note 6)*			–			25,755
Earnings			$ 14,723			$ 33,495
Earnings per participating share						
Before extraordinary item			$ 0.21			$ 0.05
After extraordinary item			$ 0.21			$ 0.62

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended December 31
(thousands of dollars)

	1990	1989
Retained earnings, beginning of year	$ 30,341	$ 9,626
Earnings	14,723	33,495
Preferred share dividends and redemption premiums	(1,653)	(5,482)
Public share issue costs	526	(7,298)
Retained earnings, end of year	$ 13,937	$ 30,341

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN CASH POSITION

For the years ended December 31
(thousands of dollars)

	1990	1989
Operating activities		
Earnings before extraordinary item	$ 14,723	$ 7,740
Depletion and depreciation	99,600	76,027
Deferred income taxes *(note 6)*	16,040	–
Other	(90)	(124)
	130,273	83,643
Net change in non-cash working capital relating to operations	145	(2,891)
	130,418	80,752
Financing activities		
Net proceeds from equity issues *(note 5)*	55,125	191,129
Net proceeds from (repayment of) long term debt	(6,516)	38,141
Reduction in deferred natural gas revenue	(2,478)	–
Preferred share dividends and redemption premiums	(1,653)	(5,482)
	44,478	223,788
Investing activities		
Capital expenditures	(185,746)	(124,234)
Government incentives	–	1,957
Proceeds on disposal of assets	7,462	1,329
Acquisitions		
– corporate *(note 7)*	(1,046)	(115,744)
– properties	(52,509)	(27,239)
Net change in non-cash working capital relating to investing activities	54,333	(53,799)
	(177,506)	(317,730)
Decrease in cash	(2,610)	(13,190)
Cash, beginning of year	2,610	15,800
Cash, end of year	$ –	$ 2,610

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1990

(tabular dollar figures in thousands)

1. Summary of Significant Accounting Policies

Principles of consolidation

The consolidated financial statements of Saskatchewan Oil and Gas Corporation ("Saskoil" or "the Corporation") have been prepared in accordance with generally accepted accounting principles and include the accounts of Saskatchewan Oil and Gas Corporation and its wholly-owned subsidiaries.

Saskoil is subject to the Saskatchewan Oil and Gas Corporation Act, 1985 and the Saskatchewan Business Corporations Act.

Substantially all exploration and production activities are conducted jointly with others. The consolidated financial statements reflect only Saskoil's proportionate interest in such activities.

Property and equipment

Capitalized costs – Saskoil accounts for its investment in petroleum and natural gas properties using the full cost method whereby all costs related to exploration for and development of petroleum and natural gas reserves whether productive or non-productive are capitalized. Such costs include lease acquisition, geological and geophysical, drilling, interest and certain general and administrative costs directly related to exploration and development activities.

Ceiling test – A ceiling test is applied to the net book value of petroleum and natural gas properties and equipment at year end. The ceiling test limits net book value to undiscounted future revenue from production of proven reserves at year end prices less related future operating, general and administrative and financing costs and income taxes plus the unimpaired costs of unproven properties. Any excess of net book value over the ceiling test amount would be charged to earnings.

Depletion and depreciation – Depletion and depreciation of petroleum and natural gas assets are calculated using the unit-of-production method based on gross proven reserves as determined by corporate or independent engineers. Natural gas reserves are converted to a common unit of measure at a rate of six thousand cubic feet of natural gas being equivalent to one barrel of oil, reflecting the relative energy content.

Depreciation of other property and equipment is calculated at rates which charge original costs to operations over the estimated useful lives of five to ten years using the straight-line method.

Capitalization of interest – Interest is capitalized on unusually significant investments in undeveloped properties. Interest capitalization ceases on encountering proven reserves, commencement of production or abandonment of the property. Such capitalized costs are amortized to earnings on the same basis as other exploration and development costs.

Inventories – Materials inventories are stated at the lower of cost, applied on a "first-in, first-out" basis, and net realizable value.

2. Property and Equipment

	1990			1989
	Cost	Accumulated Depletion and Depreciation	Net	Net
Petroleum and natural gas properties	$1,104,004	$ 291,522	$ 812,482	$ 712,057
Petroleum and natural gas equipment	278,456	75,518	202,938	169,083
Equipment under capital lease	76,900	9,371	67,529	72,132
Undeveloped properties	55,204	–	55,204	63,262
Corporate assets	40,884	12,863	28,021	17,425
	$1,555,448	$ 389,274	$1,166,174	$ 1,033,959

General and administrative costs of $9.8 million (1989 – $7.0 million) and interest of $5.4 million (1989 – $5.1 million) relating to exploration and development activities were capitalized.

For ceiling test purposes, year end oil prices were based on the West Texas Intermediate oil price of $28.44 U.S. (1989 – $21.82 U.S.) adjusted to reflect the particular characteristics of Saskoil's oil reserves. The year end natural gas prices were determined from existing contracts and current market prices.

3. Long-Term Debt

	1990			1989
	Balance December 31	Interest Expense	Effective Interest Rate	Balance December 31
Bank debt	$ 199,896	$ 27,009	13.5%	$ 178,962
Capital lease	78,125	7,161	9.2	77,520
Notes payable	61,571	7,962	11.5	75,896
Cash flow indenture	13,130	1,267	10.5	12,163
Participation bonds	–	612	16.5	15,000
	353,025	11,011	12.1%	359,541
Current portion	(11,100)	–		(30,100)
Capitalized interest	–	(5,377)		–
Standby fees and other	–	2,161		–
Interest income	–	(1,400)		–
	$ 311,925	$ 39,395		$ 329,441

Bank debt

The Corporation has arranged with its bankers extendible, revolving term credit facilities for general corporate purposes. These facilities are unsecured and subject to a defined borrowing base and specific financial covenants. At December 31, 1990, borrowing was in the form of loans at the prime lending rate and bankers' acceptances.

Bank debt including bankers' acceptances, while maturing in 1991, has been classified as long term debt as the Corporation intends to refinance them through further bankers' acceptances, or other forms of debt, on a long term basis. As well, the bank credit facility contains a term out clause over seven years, repayable in quarterly instalments.

Capital lease obligation

In 1989, Saskoil sold certain equipment with a market value of $76.9 million to Saskoil Equipment Leasing (1988) Limited Partnership (the Partnership) for net proceeds of $76.9 million. The equipment was leased back to the Corporation for 20 years at an annual rental charge of $6.2 million until December, 1993. The Partnership's general partner is a wholly owned subsidiary of the Corporation.

The Partnership unitholders will have the option to require the Partnership to redeem their units at December 31, 1993 at their original issue price of $80 million. The Corporation has agreed to subscribe on December 31, 1993 for a sufficient number of units to ensure that the Partnership has the funds necessary to pay for units redeemed.

Notes payable

The notes payable are unsecured and are repayable in annual and semi-annual instalments prior to 1997.

Participation bonds

The Saskoil Participation Bonds matured on March 31, 1990 and were subsequently redeemed.

Cash flow indenture

The cash flow indenture requires the Corporation to pay annually, commencing on June 1, 1995, the lesser of 10 percent of the prior year's cash flow from certain oil and gas properties or $5 million to a cumulative maximum of $25 million. The cash flow indenture is recorded in the accounts at its present value using a 10.5 percent discount factor based on estimated future cash flows.

The estimated annual undiscounted repayment requirements on long term debt, in thousands of dollars, are:

1991	$ 11,100
1992	11,100
1993	91,100
1994	11,100
1995	11,100

4. Deferred Natural Gas Revenue

	1990	1989
Deferred natural gas revenue	$ 6,812	$ 9,290
Less current portion	1,810	2,250
	$ 5,002	$ 7,040

In prior years, under certain natural gas sales contracts, purchasers were required to pay for specified volumes not delivered. These amounts are deferred and are being recognized as revenue when the natural gas is delivered over the next four years.

5. Share Capital

Details of the issued share capital are as follows:

	1990		1989	
	Number	Amount	Number	Amount
Second Preferred Shares, Series A				
Balance, beginning of year	7,557,895	$ 75,579	7,561,895	$ 75,619
Repurchased	(282,915)	(2,829)	–	–
Converted to common shares	(7,274,980)	(72,750)	(4,000)	(40)
Balance, end of year	–	$ –	7,557,895	$ 75,579
Convertible Participating Restricted – Voting Shares, Series I				
Balance, beginning of year	7,480,000	$ 100,045	–	$ –
Issued for cash [1]	–	–	7,480,000	100,045
Converted to common shares	(967,350)	(12,938)	–	–
Balance, end of year	6,512,650	$ 87,107	7,480,000	$ 100,045
Common Shares				
Balance, beginning of year	49,278,814	$ 464,597	39,254,351	$ 365,930
Exercise of common share warrants	4,999,800	54,998	9,800,000	–
Conversion of Series I Shares	967,350	12,938	–	–
Conversion of Series A Shares	6,062,483	72,750	3,332	40
Issued as common share warrants [1]	–	–	–	96,775
Issued under employee stock options	238,750	1,831	178,500	1,332
Issued to employees' savings plan	86,207	1,125	42,631	520
Balance, end of year	61,633,404	$ 608,239	49,278,814	$ 464,597
Total Share Capital		$ 695,346		$ 640,221

[1] The proceeds of equity issues in 1989 are shown net of issue costs of $7.5 million.

Second preferred shares, series A

During 1990, the Corporation issued a notice of intention to redeem its second preferred shares, series A (the "Series A Shares") at $11 per share. 7,274,980 Series A Shares were converted into common shares leaving 282,915 Series A Shares that were redeemed by the Corporation for $3,112,000.

Convertible participating restricted – voting shares, series I

The convertible participating restricted-voting shares, series I (the "Series I Shares") are entitled to receive dividends equal in amount to the dividends declared on the common shares but do not have voting privileges, except in limited circumstances.

The Series I Shares are convertible into common shares on a one for one basis provided the holders of Series I Shares are Canadian citizens or residents of Canada as defined in the Saskoil Act. The Corporation shall have the right to exchange common shares for the Series I Shares on a one for one basis if the limitation requiring Canadian ownership of the common shares as contained in the Saskoil Act is removed.

Common shares

At December 31, 1990, there were 1,745,500 (1989 – 1,053,000) common shares reserved under employee stock options for issue at prices ranging from $6.75 to $14.88 per share, which expire from November 20, 1997 to December 6, 2000. Options are granted at the market price of the common shares on the day prior to the date granted, vest in the employee over periods ranging up to five years and expire ten years from the date granted.

The Corporation participates in an employees' savings plan for all employees choosing to be members. Under the plan, employees can contribute up to five percent of their annual salary, to a maximum of $5,000, which is matched by the Corporation in the form of common shares. The Corporation's portion vests in each member over their initial four years in the plan.

On October 31, 1990, five million common share purchase warrants were exercised at $11 per common share for aggregate proceeds to Saskoil of $55 million. The common share purchase warrants were issued in June, 1988 as part of the consideration paid to SaskPower for the purchase of certain petroleum and natural gas properties.

Legal restrictions

The Saskatchewan Oil and Gas Corporation Act, 1985 prohibits any person or group of associated persons, other than the Province of Saskatchewan, from owning more than four percent of the issued and outstanding voting shares of Saskoil. Holders of common shares of Saskoil must be Canadian citizens or residents.

6. Taxes

The tax expense consists of the following:

	1990	1989
Deferred income taxes	$ 16,040	$ –
Capital tax and surcharge	5,097	2,662
Large Corporation Tax	1,985	947
Alberta Royalty Tax Credit	(2,000)	(3,235)
	$ 21,122	$ 374

Deferred income taxes

The table below explains the differences between the expected income tax expense obtained by applying statutory income tax rates and the recorded income tax expense.

	1990		1989	
	Amount	Percent	Amount	Percent
Earnings before taxes	$ 35,815	100.0%	$ 8,114	100.0%
Expected income tax expense	$ 15,707	43.8%	$ 3,558	43.9%
Add (deduct) tax effect of:				
Royalties, rentals and similar payments to provinces	24,140	67.3	12,728	156.9
Federal resource allowance	(21,128)	(59.8)	(17,407)	(214.5)
Earned depletion	(1,260)	(11.9)	–	–
Other	1,881	5.3	1,121	13.7
Income tax expense	$ 16,040	11.7%	$ Nil	Nil%

The Corportation has deferred its liability for Petroleum and Gas Revenue Tax by utilizing certain of its exploration and development expenditures otherwise available for deduction for income tax purposes. The tax deferral is available until 1994 at which time the tax must be paid or the related exploration and development tax deductions will expire.

Capital tax and surcharge

The Saskatchewan Capital Tax is calculated at 0.5 percent of the Corporation's Taxable Paid Up Capital, which is based on equity and long term debt balances. This tax acts as a credit against the Saskatchewan Capital Tax Surcharge.

The Saskatchewan Capital Tax Surcharge is calculated at two percent of resource sales generated in Saskatchewan.

Large Corporation Tax

The Large Corporation Tax is calculated at 0.175 percent of the Corporation's Taxable Capital For The Taxation Year, which is based on equity and certain long term liabilities.

Alberta Royalty Tax Credits

The Alberta Royalty Tax Credit ("ARTC") is a refund of royalties paid on production from properties located in Alberta. In 1990, the calculation of the ARTC became oil price sensitive, with the maximum annual credit decreasing as quarterly average oil prices increase.

Extraordinary tax item – 1989

At December 31, 1989 Saskoil had unrecorded accumulated timing differences of $78 million deductible for tax purposes. Upon amalgamation with ICG Resources Ltd. ("ICGR"), the Corporations' tax pools were consolidated. As a result, $26 million of ICGR's deferred tax liability was extinguished and reported in income as an extraordinary item.

7. Acquisition

On June 22, 1989 Saskoil closed the transaction to acquire all the shares of ICGR for a net purchase price of $105 million. ICGR was engaged in oil and gas exploration, development and production activities in western Canada and was amalgamated with Saskoil on December 31, 1989.

The operations of ICGR have been included in Saskoil's consolidated financial statements commencing May 1, 1989. The acquisition was accounted for by the purchase method and the excess of the net purchase price over the book value of the net assets acquired was attributed to property and equipment.

Details of the acquisition, in millions of dollars, are as follows:

Property and equipment	$ 324
Less liabilities assumed	
Long term debt	(117)
Deferred income taxes	(54)
Working capital deficiency	(35)
Other	(13)
Net assets acquired for cash	$ 105

8. Commitments

As at December 31, 1990 future minimum lease payments under operating leases for office space and equipment, in thousands of dollars, are as follows:

1991	$ 5,730
1992	3,982
1993	4,047
1994	3,720
1995	3,484

9. Segmented Information

The Corporation's only industry segment is the exploration, development and production of petroleum and natural gas products, primarily in Canada.

10. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

SUPPLEMENTARY INFORMATION

Estimated Year End 1990 Reserves

Consolidated Oil and Gas Revenues (Gross Before Royalties)

	Oil (Mmbbls)	Gas (Bcf)	NGLs (Mmbbls)	Sulphur (Short Tons)
Proven Producing				
Opening January 1, 1990	81.2	568.0	2.7	249,416.2
Acquisitions	14.7	7.2	–	–
Additions	4.3	27.1	–	–
Revisions	10.8	93.6	0.6	89,635.6
Production	(10.6)	(77.1)	(0.2)	(14,987.8)
Closing December 31, 1990	100.4	618.8	3.1	324,064.0
Proven Undeveloped				
Opening January 1, 1990	6.4	373.9	0.4	2,075.7
Acquisitions	2.8	0.6	–	–
Additions	5.9	35.6	0.6	–
Revisions	(2.7)	51.7	2.6	1,746.8
Closing December 31, 1990	12.4	461.8	3.6	3,822.5
Total Proven				
Opening January 1, 1990	87.6	941.9	3.1	251,491.9
Acquisitions	17.5	7.8	–	–
Additions	10.2	62.7	0.6	–
Revisions	8.1	145.3	3.2	91,382.4
Production	(10.6)	(77.1)	(0.2)	(14,987.8)
Closing December 31, 1990	112.8	1,080.6	6.7	327,886.5
Probable				
Opening January 1, 1990	43.0	375.8	0.7	48,039.2
Acquisitions	8.5	9.6	–	–
Additions	7.7	53.9	0.2	–
Revisions	(3.3)	(49.6)	–	19,633.8
Closing December 31, 1990	55.9	389.7	0.9	67,673.0
Proven & Probable				
Opening January 1, 1990	130.6	1,317.7	3.8	299,531.1
Acquisitions	26.1	17.4	–	–
Additions	17.9	116.6	0.8	–
Revisions	4.7	95.7	3.2	111,016.2
Production	(10.6)	(77.1)	(0.2)	(14,987.8)
Closing December 31, 1990	168.7	1,470.3	7.6	395,559.5

Five Year Financial Summary

Year ended December 31 (millions of dollars except per share amounts)

	1990	1989	1988	1987	1986
Revenue	$ 345.3	$ 226.8	$ 115.8	$ 118.0	$ 78.4
Royalty expense	(65.5)	(40.0)	(22.2)	(27.4)	(19.5)
Operating expense	(76.8)	(52.5)	(35.9)	(27.6)	(25.9)
Net operating income	203.0	134.3	57.7	63.0	33.0
Other income	–	–	–	–	3.0
Depletion and depreciation	(99.6)	(76.0)	(43.5)	(29.5)	(23.0)
General and administration	(28.1)	(19.5)	(14.6)	(11.0)	(10.9)
Interest	(39.1)	(30.7)	(10.0)	(0.1)	–
Deferred income taxes	(16.0)	–	–	(10.9)	(5.3)
Capital and large corporation taxes	(7.2)	(3.6)	(1.1)	(0.4)	(0.2)
Alberta royalty tax credit	2.0	3.2	2.8	2.2	0.5
Earnings (loss) before extraordinary item	11.7	7.7	(8.7)	13.3	(2.9)
Extraordinary item	–	25.8	–	9.3	1.6
Earnings (loss)	11.7	33.5	(8.7)	22.6	(1.3)
Preferred share dividends and redemption premiums	(1.7)	5.5	(5.5)	(5.5)	(5.3)
Earnings (loss) attributable to participating shares	$ 13.0	$ 28.0	$ (14.2)	$ 17.1	$ (6.6)
Weighted average number of participating shares (millions)	62.5	45.3	34.9	22.4	19.5
Earnings (loss) per participating share					
Before extraordinary item	$ 0.21	$ 0.05	$ (0.41)	$ 0.35	$ (0.42)
After extraordinary item	$ 0.21	$ 0.62	$ (0.41)	$ 0.76	$ (0.34)
Cash flow per participating share					
Basic	$ 2.06	$ 1.72	$ 0.84	$ 2.15	$ 1.07
Fully diluted	$ 2.00	$ 1.59	$ 0.84	$ 1.80	$ 0.98
Changes in Financial Position					
Cash flow from operations	$ 130.3	$ 83.6	$ 34.8	$ 53.7	$ 26.2
Financing					
Equity issues net of issue costs	55.1	191.1	136.0	47.1	30.2
Long-term debt	(6.5)	38.1	180.3	–	–
Preferred share dividends and redemption premiums	(1.7)	(5.5)	(5.5)	(5.5)	(5.3)
Investing					
Net capital expenditures	(178.3)	(120.9)	(79.4)	(44.7)	(22.6)
Acquisitions	(53.5)	(143.0)	(283.0)	(65.3)	–
Other	16.9	(53.0)	(0.1)	1.9	(3.1)
Increase (decrease) in working capital	$ (37.7)	$ (9.6)	$ (16.9)	$ (12.8)	$ 25.4
Financial Position					
Cash	$ –	$ 2.6	$ 15.8	$ 26.5	$ 42.5
Working capital (deficiency)	(29.2)	8.5	18.1	35.0	47.8
Property and equipment	1,166.2	1,034.0	630.5	311.6	229.2
Long-term debt	341.9	329.4	195.3	15.0	15.0
Shareholders' equity	739.3	670.6	451.2	329.3	263.6

Five Year Operations Summary

Year ended December 31 (thousands of barrels and millions of cubic feet)

	1990	1989	1988	1987	1986
Production					
Light-medium oil and NGLs	6,706	5,270	4,400	3,779	3,029
Heavy oil	4,106	2,399	2,200	1,827	1,727
Total oil	10,812	7,669	6,600	5,606	4,756
Total gas	77,100	63,700	21,100	4,211	1,420
Reserves					
Proven producing					
Light-medium oil and NGLs	70,249	62,917	42,500	41,470	33,145
Heavy oil	33,275	20,978	13,500	10,442	8,835
Total oil and NGLs	103,524	83,895	56,000	51,912	41,980
Total gas	618,800	568,000	319,000	30,232	13,420
Proven undeveloped					
Oil and NGLs	16,034	6,836	6,200	3,084	1,691
Gas	161,000	373,900	250,500	47,122	30,637
Total proven					
Oil and NGLs	119,558	90,731	62,200	54,996	43,671
Gas	1,080,600	941,900	569,500	77,354	44,057
Probable					
Oil and NGLs	56,771	43,733	24,500	28,340	24,994
Gas	389,700	375,800	358,500	17,332	24,673
Total proven plus probable					
Oil and NGLs	176,329	134,464	86,700	83,336	68,665
Gas	1,470,300	1,317,700	928,000	94,686	68,730
Changes in Proven Producing Reserves					
Oil and NGLs reserves,					
beginning of year	83,895	56,000	51,900	41,980	43,177
Additions	1,363	4,450	9,800	7,035	1,031
Revisions	11,342	6,014	4,778	4,766	2,528
Acquisitions	14,736	25,100	900	3,725	–
Production	(10,812)	(7,669)	(6,600)	(5,606)	(4,756)
Oil and NGLs reserves,					
end of year	103,524	83,895	56,000	51,900	41,980
Gas reserves, beginning					
of year	568,000	319,000	30,200	13,420	2,024
Additions	27,100	17,100	120,000	1,934	533
Revisions	93,600	57,200	(100)	(1,696)	12,283
Acquisitions	7,200	238,400	190,000	20,785	–
Production	(77,100)	(63,700)	(21,100)	(4,211)	(1,420)
Gas reserves, end of year	618,800	568,000	319,000	30,232	13,420

Statistics

	1990	1989	1988	1987	1986
Royalties as percent of sales	19%	18%	19%	24%	25%
Working capital ratio	0.76:1	1.1:1	1.6:1	2.4:1	5.0:1
Debt to equity ratio	0.46:1	0.49:1	0.43:1	0.05:1	0.06:1
Return on average capital employed	5%	8%	1%	8%	–
Four year return on average capital employed	5%	5%	6%	11%	14%

Stock Trading Data

Year ended December 31

	1990	1989	1988	1987	1986
Common					
Outstanding (millions)	61.6	49.3	39.3	26.2	19.6
Market price:High	$ 16.13	$ 15.00	$ 10.25	$ 9.88	$ 8.00
Low	$ 12.38	$ 8.25	$ 6.88	$ 5.75	$ 4.50
Close	$ 13.00	$ 13.88	8.50	$ 7.00	$ 5.63
Preferred[1]					
Outstanding (millions)	–	7.6	7.6	7.6	7.6
Market price:High	$ 13.13	$ 13.00	$ 10.88	$ 11.88	$ 10.38
Low	$ 11.13	$ 9.00	$ 8.50	$ 8.00	$ 8.13
Close	–	$ 12.63	$ 9.13	$ 8.88	$ 8.50
Series I[2]					
Outstanding (millions)	6.5	7.5	–	–	–
Market price:High	$ 16.25	$ 14.00	–	–	–
Low	$ 12.50	$ 13.75	–	–	–
Close	$ 13.38	$ 14.00	–	–	–

Share Distribution

	Common Shares			Series I Shares		
	# of Shareholders	# of Holdings	% Holdings	# of Shareholders	# of Holdings	% Holdings
Location						
Alberta	234	179,500	0.29	2	2,200	0.03
British Columbia	184	193,822	0.31	5	2,800	0.04
Ontario	244	4,076,593	6.62	15	590,900	9.08
Saskatchewan	4,434	15,812,997[4]	25.65	5	87,900	1.35
Other	165	863,350	1.40	22	972,100	14.93
CDS[3]	1	40,507,142	65.73	1	4,856,750	74.57
Total	5,262	61,633,404	100.00	50	6,512,650	100.00

[1] The Preferred Shares were called for redemption on March 31, 1990.

[2] Series I Shares traded from December 21 to December 29, 1989.

[3] As the Canadian Depository for Securities (CDS) holds 65.73% of common shares and 74.57% of Series I Shares on behalf of different brokerage accounts, it is not possible to determine ultimate geographic distribution.

[4] The Government of Saskatchewan owns 5,842,910 of the outstanding common shares.

CORPORATE INFORMATION

Annual Information Form
Copies of Saskoil's Annual Information Form are available by contacting the Investor Relations department at the Company's head office.

Duplicate Annual Reports
If you are receiving duplicate copies of shareholder material, please notify your Transfer Agent. This occurs when your holdings are registered in different names or addresses. Your Transfer Agent can consolidate your holdings under one name and address and avoid extra costs and wastage.

Company Offices
Head Office
Saskatchewan Oil and Gas Corporation
1777 Victoria Avenue
P.O. Box 1550
Regina, Saskatchewan
S4P 3C4
(306) 781-8200

Calgary Office
Saskatchewan Oil and Gas Corporation
SunLife Plaza
2500, 140 - 4th Avenue S.W.
Calgary, Alberta
T2P 3S3
(403) 260-4900

Wes Cana Energy Marketing Inc.
2400, 300 - 5th Avenue S.W.
Calgary, Alberta
T2P 3C4
(403) 260-3400

Pasqua Resources Inc.
1777 Victoria Avenue
P.O. Box 1550
Regina, Saskatchewan
S4P 3C4
(306) 781-8200

District Production Offices
Southeast Saskatchewan
P.O. Box 519
Estevan, Saskatchewan
S4A 2A5
(306) 634-7204

Southwest Saskatchewan
P.O. Box 2728
Swift Current, Saskatchewan
S9H 4G6
(306) 773-1911

West Central Saskatchewan
P.O. Box 248
Coleville, Saskatchewan
SOL OKO
(306) 965-2722

Northwest Saskatchewan
P.O. Box 610
Maidstone, Saskatchewan
SOM 1MO
(306) 893-2612

North Saskatchewan
General Delivery
Pierceland, Saskatchewan
S0M 2K0
(306) 839-2014

Medicine Hat, Alberta
P.O. Box 578
Medicine Hat, Alberta
T1A 7G5
(403) 526-6222

Central Alberta
P.O. Box 337
4535 - 49B Avenue
Lacombe, Alberta
TOL 1SO
(403) 782-5010

Wascana Resources Ltd.
11/12 Pall Mall
London, SW7Y 5LU
United Kingdon
(071) 839-1530

Northeast Alberta
P.O. Box 989
Lac La Biche, Alberta
TOA 2CO
(403) 623-2342

Northwest Alberta
P.O. Box 7205
Peace River, Alberta
T8S 1S8
(403) 624-8068

Transfer Agents and Registrars
For Common Shares and Series I Shares
The Royal Trust Company
Regina, Montreal, Toronto, Winnipeg, Calgary and Vancouver

For Saskoil Equipment Leasing (1988) Limited Partnership Units and SaskPower Exchangeable Bonds
Central Guaranty Trust Company

Shares Listed
The Toronto Stock Exchange
The Montreal Exchange

Trading Symbols
Common "SKO"
Series I "SKO.A"

Auditors
Ernst & Young
Chartered Accountants
Regina, Saskatchewan

Solicitors
Burnet Duckworth & Palmer
Calgary, Alberta

Burstall Ward
Calgary, Alberta

MacPherson, Leslie & Tyerman
Regina, Saskatchewan

Investor Relations
Toll Free 1-800-667-5810

DIRECTORS & OFFICERS

Herbert C. Pinder Jr. [1][3]
Chairman
President, Herbus Holdings Ltd.
Saskatoon, Saskatchewan

Theodore H. Renner [1]
President and Chief Executive Officer
Saskatchewan Oil and Gas Corporation
Regina, Saskatchewan

Ronald E. Barber
Mayor of Weyburn
Weyburn, Saskatchewan

W. John Brennan [2][4]
Dean of Commerce
University of Saskatchewan
Saskatoon, Saskatchewan

Joan M. Cook
Accountant, Schindle & Bazin
Oilfield Construction Ltd.
Estevan, Saskatchewan

Theodore M. Hanlon [1][3][4]
President, The Sage Group Inc.
Calgary, Alberta

George D. Hill [2]
President, Saskatchewan Power Corporation
Regina, Saskatchewan

Thomas A. McLellan [1][2][4]
Chairman, Devco Consulting Ltd.
Saskatoon, Saskatchewan

Harold P. Milavsky [3][4]
Chairman of the Board
Trizec Corporation Ltd.
Calgary, Alberta

Officers

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President and Chief Executive Officer

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Martin E. Booth
Vice-President, Exploration

Glenn R. Carley
Vice-President, General Counsel and Secretary

C.J. Byrne McNamara
Vice-President, Finance and Chief Financial Officer

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Vice-President, Corporate Services

Marvin F. Romanow
Vice-President, Planning and Development

Mervyn J. Simon
Vice-President, Marketing

Christopher A. Bradley
Controller

R. James Brown
Treasurer

[1] Member of the Executive Committee
[2] Member of the Audit Committee
[3] Member of the Compensation Committee
[4] Member of the Nominating Committee